

## **EXECUTIVE SUMMARY**

The introduction to the Morris School District report acknowledges this report was part of a five agency project. A special fourth section titled “Enhanced School and Municipal Cooperation” is contained in the Morris School District and the Morris Plains School District reports.

Section One, “The Unique Best Practice of the Morris School District,” summarizes the financial advantages and efficiencies obtained through the operation of the Lafayette Learning Center.

Section Two, “Opportunities for Cost Reduction and Value Enhancement” contains approximately 45 recommendations. They range from general issues and concerns to specific topics.

In the area of general issues and concerns, it is recommended that the district assume full control and responsibility for resolving the issues surrounding the George Washington School campus. It is also recommended that a business staff training program be implemented. This recommendation compliments the recommendation to integrate all of the district’s automated systems. Last, recommendations are offered to clarify the specific roles and responsibilities of key personnel in the district and to develop a five to seven year staffing strategy.

The community school enterprise fund is identified as the logical umbrella for the consolidation of public recreation functions. It is also recommended that additional expenditure and revenue detail be provided for the purpose of completing an annual review of fees and charges. Given its nature as a co-located enterprise fund it is recommended that additional consideration be given to allocating a portion of common school expenses to the community school fund.

Directly related to the community school fund, it is recommended that the task of scheduling non-academic use of school facilities be transferred from the business office to the community school fund office.

A detailed analysis of the district’s unrestricted fund balance is provided. It is recommended that the district limit it’s fund balance and return the surplus to the taxpayers. To ensure proper review of capital projects it is also recommended that a formal review of the capital development program be held every year, preferably in November, December or January

As a result of the analysis of salary, wage and benefit practices it is recommended that the district modify the annual allocation for vacation and sick leave for selected groups within the staff. It is also recommended that modifications be made in the extended sick leave policy and that longevity pay be eliminated. Last it is recommended that a health

insurance co-pay be established and that the hourly rates of pay for summer school teaching be standardized.

A site by site analysis of the food service revenues and costs was conducted as part of the effort to identify the underlying causes of the annual operating deficits in the food service enterprise fund. A series of recommendations are made that range from recapturing cost effective market opportunities to consolidating some of the facilities. It is also recommended that the district petition the state for a waiver of the maximum allowable price per meal.

Given the cost of security services at the high school and the service delivery policies of the Morristown, Morris Township and Morris Plains police departments it is recommended that consideration be given to a cooperative venture to provide site security. An alternate recommendation is to consider competitively contracting for these services.

A series of specific recommendations are offered pertaining to the staffing and delivery of custodial, repair and maintenance services. Overall it is recommended that the district reduce its annual cost by approximately \$184,250 which would result in an annual cost that is comparable to current market prices. The district is also encouraged to continue its energy reduction program.

The report acknowledges the considerable amount of debate that has occurred over student transportation as well as the district's attempts to be responsive to the public comments. Specific recommendations include the utilization of the expertise found within the local police departments to properly identify hazardous pedestrian routes, establish a subscription rate for optional student transportation, and resolve the disparities between in-house and contracted services.

An opportunity to reduce costs through optimal use of special education resources is presented. Specifically, it is recommended that the district make greater use of the existing classroom capacity and consider expanding that capacity, particularly if it can be should to be less expensive than the costs of out of district tuition and transportation.

Last it is recommended that a number of the tasks and the related positions within the business office be consolidated.

Section Three, "Regulatory and Statutory Reform," highlights the possibility of assisting districts by making it easier to obtain a waiver on the cap for the price of student meals. It is also recommended that consideration be given to utilizing the equalized assessment established by the county board of taxation as the basis for apportioning the school tax when the opportunity for growth in the tax base in the two municipalities is significantly different.

**COMPARISON OF BUDGET APPROPRIATIONS, STATE AID AND THE  
SCHOOL TAX RATE WITH RECOMMENDED CHANGES IN  
THE MORRIS SCHOOL DISTRICT**

**RECURRING COST REDUCTIONS, AND REVENUE  
ENHANCEMENTS - GENERAL FUND**

Allocate portion of common costs to the Community School Fund. Recurring cost reduction to General Fund	\$200,000
Adjust fee schedule for non-academic use of facilities. Recurring revenue	\$23,000
Eliminate longevity pay. Recurring cost reduction.	\$333,320
Revise vacation allocation schedules	To be determined
Revise sick leave accrual rates	To be determined
Revise number and permitted use of personal days.	To be determined
Establish health insurance co-pay. Recurring off-setting revenue.	\$139,320
Standardize hourly rate of pay for summer school	To be determined
Reduce budget allocation to Food Service Enterprise Fund. Recurring savings to the General Fund	\$62,500
Modify delivery of security services. Recurring cost reduction.	\$56,000
Reduce custodial labor costs. Recurring cost reduction.	\$185,000
Eliminate central administration supervision of custodial & maintenance crews; retain senior foreman. Recurring cost reduction.	\$110,000
Competitively contract portion of grounds maintenance work. Recurring cost reduction.	\$40,000
Continue energy savings program. Recurring cost reduction.	\$16,500
Modify transportation policies and procedures to include a subscription fee. Recurring offsetting revenue.	\$580,000

Maximize use of existing special education classroom space and reduce out of district placements. Combination of recurring revenue and recurring cost reductions.	\$148,340
Restructure payroll and personnel staffs. Recurring cost reduction.	\$112,500
Restructure purchasing and accounting staffs. Recurring cost reduction.	\$ 97,320
Eliminate General Fund collection of building use fees. Lost recurring revenue	<u>&lt;\$70,000&gt;</u>
<b>SUB-TOTAL</b>	<b>\$2,033,800</b>

#### NON-RECURRING OPPORTUNITIES - GENERAL FUND

Sell George Washington School site	To be determined
Allocate excess fund balance	\$1,706,280
Limit fund balance to 5 percent	<u>\$1,061,387</u>
<b>SUB-TOTAL</b>	<b>\$2,767,667</b>
<b>GENERAL FUND TOTAL:</b>	<b>\$4,871,467</b>
<b>Total Amount to be Raised for School Tax: 1995-1996 Budget:</b>	<b>\$37,783,775</b>
Recurring savings as a percent of School Tax:	7.3%
Total savings as a percent of School Tax:	12.9%
<b>Total 1995-1996 Budget:</b>	<b>\$49,084,089</b>
Recurring savings as a percent of Total Budget:	5.6%
Total savings as a percent of Total Budget:	9.9%
<b>Total State Aid: 1995-1996 Budget:</b>	<b>\$ 4,672,029</b>
Recurring savings as a percent of Total State Aid:	59.2%
Total savings as a percent of Total State Aid:	104.0%

### **COMMUNITY SCHOOL ENTERPRISE FUND**

Adjust program fees. Recurring revenue	To be determined
Collect non-academic facility use fees	\$70,000
Underwrite portion of shared expenses	<\$200,000>

### **FOOD SERVICE ENTERPRISE FUND**

Adjust meal fees as permitted	To be determined
Maximize interest income	\$7,760
Consolidate one food preparation site	\$40,000
Re-establish service for area non-profit agencies	To be determined

## INTRODUCTION

The Morris School District review was the fourth in a special five part review. After completing the municipal reviews of Morris Township, Morristown and Morris Plains, the local government budget review team focused its efforts on the two public school districts serving the residents and taxpayers of these municipalities. In much the same manner that special attention was given to the opportunities to reduce municipal costs through expanded cooperation, this report contains a special section titled “Enhanced School and Municipal Cooperation.” This section is duplicated in the report provided to the Morris Plains Board of Education. It is also an extension of the special section presented in the municipal reports.

Where feasible, estimates of potential savings are offered. Their purpose is to offer a useful tool for the executive staff and elected officials to develop an implementation plan and determine the order in which the issues deserve to be addressed. While carefully developed and conservatively presented, these estimates serve as a potential measure of impact.

In addition to recommendations containing an estimate of fiscal impact, other recommendations offer ways to improve the value of the public funds that are being spent. The public is entitled to receive a dollars worth of service and performance for every dollar that is spent.

Each local government budget review report begins with a brief discussion of at least one unique program, service or solution that deserves to be considered by other districts across New Jersey. Section One, “The Unique Best Practices of the Morris School District,” briefly discusses the focused special education opportunities presented through the Lafayette Learning Center.

Section Two, “Opportunities for Cost Reduction and Value Enhancement,” contains approximately 45 recommendations. They are organized into a section focusing on general issues and concerns, and several topical sections such as the Community School Fund and the Food Service Enterprise Fund.

The third section, “Recommended Statutory and Regulatory Reforms,” responds to an essential mission of the local government budget review staff to listen as local officials identify changes that could be made in state statutes and regulations that they believe will enhance the opportunity for every local agency to succeed. The fact that a topic or issue is discussed in this section does not mean that it is a recommendation or an official statement of policy by any representative of the State of New Jersey. In much the same manner that all recommendations made to a local agency are non-binding, the recommendations for state reform are intended to be suggestions deserving consideration. In every report, the recommendations for changes in state rules and procedures are a direct outgrowth of comments and concerns heard during the interview process.

The fourth section of the report outlines a number of opportunities for cooperation between the Morris School District and the Morris Plains School District. It also identifies several topics and services that could be enhanced through shared services and additional cooperation with the municipal governments.

Overall, the opportunity to reduce recurring expenses or add value to the public expenditure totaling approximately \$2,033,800 are identified in the report. An additional \$2,767,600 in non-recurring opportunities are also identified. It is important to note that neither sum can be completely achieved in one year or even in two budget cycles.

Many of the recommendations will take more than one year to plan and implement. In many cases the beneficial fiscal impact will not be apparent until a subsequent budget year. The implementation of some recommendations is dependent upon a change in an existing contract or collective bargaining agreement.

Because of the continually changing relationship between the total assessed valuation of Morris Township and Morristown it is difficult to project the impact of the cost savings on future school tax rates in the two towns. Nevertheless an estimate of the total tax impact is provided based on the sum of the equalized valuations for 1995 as reported in the district's comprehensive annual financial statement. The equalized valuation for Morris Township and Morristown respectively was \$2,878,060,008 and \$1,226,654,064.

## **SECTION ONE**

### **THE UNIQUE BEST PRACTICE OF THE MORRIS SCHOOL DISTRICT**

The financial challenges associated with providing the best possible education through the implementation of individual education plans for classified students can be quite significant. Part of the challenge facing every district is how to maximize the use of all special education funds. The fact that the individual education plan or “IEP” serves as the cornerstone of each student’s progress and development suggests that generalized solutions and procedures may often be impractical and unsuccessful. In short, the challenge is to provide a customized education within an organizational framework that is normally predicated upon group learning.

The Morris School District operates the Lafayette Learning Center as a focused special education campus. The structure and organization of the Lafayette Learning Center has resulted in an average cost per student that is less than the transportation and tuition costs of other special education programs reviewed by local government budget review teams.

The ability to marshal financial resources in a manner that provides an opportunity to take advantage of economies of scale without negating the personalized nature of special education requirements is a best practice deserving to be reviewed and considered by other districts throughout the State of New Jersey.



## **SECTION TWO**

### **OPPORTUNITIES FOR COST REDUCTION AND VALUE ENHANCEMENT**

#### **GENERAL ISSUES AND CONCERNS**

Throughout the course of every local government review project, team members have identified issues and concerns that do not fit neatly into a particular department or organizational category. Nevertheless, they deserve to be considered by the executive staff and elected leaders of the agency. These items are presented first. The issues selected for inclusion in this section were discussed by more than one person during the interview process.

The general nature of these issues do not lend themselves to plausible projections of budget savings or value enhancements. It can be argued that some of them are prerequisites to future savings. The resolution of others will bring closure to lasting issues that appear to hamper the growth and development of the district.

#### **Lagging Consolidation Issues**

The Morris School District was the largest of the five agencies participating in the review project. It serves the largest population and covers the largest geographic territory. The origin of the district was a judicial decision mandating the consolidation of the public education agencies in Morristown and Morris Township. This consolidation occurred more than twenty years ago. Unfortunately, the review team heard and saw indications that the consolidation has never been fully accepted, particularly by those who were associated with the former Morris Township school system. When review team members interviewed employees who had worked for the district for some time, it was surprisingly common for them to define the beginning of their tenure as “pre” or “post” consolidation. Some went so far as to suggest they did not or would not accept the permanency of the consolidation.

On the surface it may appear to be irrelevant whether selected members of the staff choose to remain focused on the past. The review team found this to be a rather strong, albeit informal indicator of a general unwillingness to consider new methods or different approaches, particularly within the various components of the business office. To suggest that the entrenched attitudes are solely a by-product of individual personalities would be overly simplistic. There are recurring mechanisms that serve as annual reminders of the past. Probably the most important and the most visible of these is the discussion that must occur every year regarding the impact of the proposed district budget on the Morristown and Morris Township tax rates. If nothing else this serves to raise a level of sensitivity and ignite debate about the portion of the financial load being borne by the taxpayers in each municipality.

From a financial or budgetary point of view, the consolidation of the two districts has never been completed. A mechanism to resolve this structural dilemma is proposed in the third section.

### **The George Washington School**

A second major factor that appears to be contributing to the disparate points of view is the lagging problem of the George Washington School. The land upon which a portion of the school was built was a gift to Morristown. The gift and the construction of the school preceded the consolidation of the districts. As stated in the report submitted to the Town of Morristown, **it is recommended (#1.A) that the town cede any and all considerations regarding the school building and the land to the school district. In turn, it is recommended (#1.B) that the school district accept full responsibility for absolving the community of the financial burden and legal risks associated with retaining a building containing a significant amount of asbestos.** This may entail selling it “as is” at a reduced cost, in lieu of paying asbestos removal costs or leasing the building under a similar arrangement. Permitting this matter to remain unresolved detracts from the opportunity to enhance cooperation and it is undermining the market value the site may have.

The school building is vacant. It is not cost effective for the district to operate or maintain it in a manner that would sustain its market value. Finally, given its proximity to a major highway and the volume of traffic that now occurs on the adjoining street its best use is no longer as a public facility.

### **Business Staff Training**

The extent to which the staff makes optimal use of the existing computer systems is minimal at best. Similarly, the extent to which individuals are cross-trained to perform the tasks of their colleagues appears to be practically non-existent. The net result is a number of unnecessary manual procedures, unproductive redundancies and relatively little integration, communication or cooperation within or between staff sections. This may provide some explanation as to why the size of the business staff is much larger than the business staff of other similar school districts. Specific issues and recommendations, are discussed in subsequent sections of this report. In general, **it is recommended (#2.A) that an annual training plan for optimal use of the existing hardware and software be developed and implemented for all employees working in the offices of the business administrator, superintendent, assistant superintendent and director of personnel. It is also recommended (#2.B) that a similar training plan be implemented for the clerical and support staffs of the schools.** The vast majority of this training can be accomplished using the experience and expertise found within the existing faculty and staff. The largest cost to the district should be the temporary interruption of selected work days for the staff. This indirect cost should be more than

offset through the enhanced productivity of each staff member as well as the elimination of unnecessary and/or redundant procedures.

### **The Integration of Automated Systems**

The automated systems used by the staff of the personnel department do not communicate with the automated systems within the other central administration offices. This did not appear to be the result of a conscious decision to operate an independent system for confidentiality and security purposes. Data that should be readily accessible cannot be transferred, and redundant or overlapping data bases have been created. Differences in the separate data bases have resulted in disparities over the actual rate of pay for specific employees or positions. In short one system is not talking to the other.

There was no integration or crossover between the automated “business” systems and the “educational” systems. This extended to the allocation of staff time and work assignments. The computer specialists on the district payroll were not involved in the planning, operation or maintenance of the automated systems located in the central administration offices nor were they actively involved in the decision process regarding the purchase and optimal utilization of hardware and software. They also were not involved and were not expected to be involved in the training of the staff on the existing software and hardware.

In summary, there did not appear to be a coordinated technology plan or management information system. As suggested above, this may help to explain the perceived “need” for a large number of central administration and support positions. **Both the need and the value of computerized data and technologically based procedures is such that it is recommended (# 3) that the district pursue the following:**

A. Reorganize all technologically stored data, software and hardware systems to permit greater integration and elimination of redundancies. Any separation of systems or of specific data points should be the by-product of a conscious decision predicated upon acceptable security and policy considerations rather than a stream of independent and disjointed purchasing decisions.

B. Optimize the use of the computer specialists already on staff. The development of a coherent MIS plan often leads to identification of the major projects and the resulting priorities. It also often leads to a simplification or streamlining of the overall workload.

C. Consider developing a cooperative computer staffing plan with the three adjacent municipalities and the Morris Plains School District. This idea is explored more fully in the final section of the report.

## **The Locus of Control and Responsibility**

While there can be no doubt that the superintendent has the ultimate control and responsibility for the day to day operation of the district, the practical reality is that daily control and responsibility is shared by the entire staff. As such, the delineation of areas of responsibility and authority must be clearly understood by everyone. When the competing demands of different areas of responsibility create differences of opinion the executive staff can make itself available to resolve the matter. Nevertheless, the number of times when this must occur can be reduced by continuing to clarify some of the essential organizational relationships.

Maintenance and Custodial Supervision. It was interesting to note that the custodial staff was split nearly evenly in response to the question, for whom they work. About half of those interviewed named a principal or vice principal while the remainder named the central administration's facility manager. Requests for repair and maintenance work were not submitted or routed in a consistent way. Conversely, educational concerns were not always given due attention prior to selecting dates for contract work. The team found that for the most part, resolution of an impending conflict or problem was an outgrowth of one or more staff members "discovering" the problem rather than a natural outcome of discussion between staff members.

The apparent lack of a routine problem identification and problem solving mechanism was attributed to the varying opinions people had as to who was responsible for a task, topic or area. **It is recommended (# 4) that the primary or initial locus of control and responsibility for the scheduling of custodial and maintenance work be established at the level of the building or site manager,** presumably the school principal or vice principal. In addition to providing a direct mechanism for on-site supervision and quality control it would also facilitate the identification and resolution of problems arising out of scheduling conflicts. This does not mean that every school must have its own maintenance and repair staff. It does mean that the site manager would see every maintenance and repair request as well as establish a recommended priority for the requested work before it is forwarded to the business administrator.

Continuity of Educational Procedures. During the course of the field interviews members of the review team heard another concern that may have a similar cause or derivation. Parents and board members were reasonably quick to express a concern about an apparent disparity over the course content and/or pace of education between the elementary schools. The extent to which this apparent disparity truly exists and whether it is a function of the curriculum, teaching methods or student ability was not within the purview of the local government budget review. Nevertheless, the fact that it was openly discussed during a number of different interviews was sufficient **to recommend (# 5) that the board and superintendent establish a mechanism to identify, evaluate and resolve any disparity that may exist.** This will become increasingly important as the need to redistrict the elementary schools draws closer.

## **Redistricting and Teacher Allocation**

The growth in the student population within the Morris School District has moved the issue of redistricting the elementary schools to the forefront. The debate no longer centers on the need to redistrict but rather how to accomplish it in the best possible manner. The district is also facing another major issue that can have just as large, if not a larger impact on the district. On one hand the district is very fortunate to have a relatively low turnover rate and very large number of teachers who have accrued many years of experience. On the other hand, the district is unfortunate that over half of the existing faculty will be eligible to retire within the next decade. The magnitude of the problem within the Morris School District is such that it deserves special attention and planning now.

In addition to addressing redistricting, **it is recommended (# 6) that the district develop a specific staffing and staff financing strategy addressing the next five to seven years.** Presumably some of the key components to this plan would be the estimated annual demand for teachers, projected salary and wage requirements, projected benefit costs and the financial implications of projected retirements as well as the impact of hiring replacement personnel.

## THE COMMUNITY SCHOOL FUND

The Morris School District Community School is one of seven major agencies providing avocational classes as well as other recreational and leisure services within the community. While none of the agencies openly compete with each other, and their program schedules do have some unique offerings, the redundancy in administrative and overhead costs diminishes the magnitude of the positive impact these programs have on the community.

The Community School Fund was established as an enterprise fund. As such, it is not expected to rely on tax revenues as its primary source of income, nor is it limited to the basic educational tasks of a public school district. To be sure, the Community School compliments the basic mission of the district through its general equivalency diploma and evening school programs. Nevertheless it goes far beyond this by providing services that can be appropriately classified as recreational, leisure and avocational pursuits.

### The Data Available For Decision Making and Public Review

Table One summarizes the year end audit schedules of the Community School Fund as prepared by the district staff each year. Table Two is a summary of program revenues and expenses prepared by the staff. While both documents are accurate summaries, neither presents a complete financial picture of this enterprise fund. Accordingly, **it is recommended (# 7) that the board of education request the preparation of detailed statement of expenses and revenues for the Community School Fund every year.** This is done for the general fund and it should be done for all enterprise funds, particularly if there are shared expenses, allocations or direct charges between funds. Given that a detailed statement of revenues and expenses for an enterprise fund is not a CAFR requirement, the board would have the option of directing that it be prepared in-house or directing that it be prepared by the auditor.

The importance of a detailed statement of revenues and expenses manifests itself in the answer to the local policy question of how common expenses should be shared. Without this detailed information it makes it exceptionally difficult for the board to make an informed judgment on the use of the taxpayers' money for community school purposes.

### The Allocation of Common Expenses

The extent to which the enterprise fund can be considered financially stable or solvent is directly related to the expenses borne by it. The review team could not identify any consistent application of policy regarding the sharing of common or overhead expenses, or the allocation of tax revenues. For example:

A. The audit for the budget year ending June 30, 1994 reflects a charge of \$674,140.40 for salaries, benefits and supplies or materials, yet in the audit for the following year nothing is charged to these lines.

B. The audit for the year ending June 30, 1995 lists a \$638,552.57 charge to "program costs," and \$152,521.87 is charged to "administrative costs."

C. In every year reviewed the operating revenues exceeded the operating expenses. Notwithstanding this, the 1993-1994 budget contained an allocation of \$15,521.70 to the Community School Fund.

### TABLE ONE

#### A CONSOLIDATION OF COMMUNITY SCHOOL FUND AUDIT SCHEDULES

Year Ending	<u>6/30/92</u>	<u>6/30/93</u>	<u>6/30/94</u>	<u>6/30/95</u>
<b>BALANCE</b>	<b>\$243,160.92</b>	<b>\$324,944.08</b>	<b>\$147,896.46</b>	<b>\$192,350.36</b>
Fees	\$610,447.33	\$661,977.52	\$699,340.47	\$803,268.37
Board Contrib.			15,521.70	
Interest Earned	<u>7,570.32</u>	<u>5,975.11</u>	<u>3,732.13</u>	<u>4,767.68</u>
<b>TOTAL</b>	<b>\$861,178.57</b>	<b>\$992,896.71</b>	<b>\$866,490.76</b>	<b>\$1,000,386.41</b>
Salaries			\$445,980.20	
Benefits			15,521.70	
Supplies/Materials			212,638.50	
Program Costs				\$638,552.57
Administrative Costs				152,521.87
Disbursements	<u>536,234.49</u>	<u>612,738.31</u>		
<b>TOTAL</b>	<b>\$536,234.49</b>	<b>\$612,738.31</b>	<b>\$674,140.40</b>	<b>\$791,074.44</b>
<b>ENDING</b>				
<b>BALANCE</b>	<b>\$324,944.08</b>	<b>\$380,158.40</b>	<b>\$192,350.36</b>	<b>\$209,311.97</b>

The decision to change the format of the audit schedule is immaterial when there is insufficient detail to identify and understand the changes that occur from year to year.

Review teams have found that it is common for an enterprise fund providing a mix of avocational, vocational and educational programs to be charged rent for office and program space to recover utility and maintenance expenses. Review teams have also seen additional charges based upon a percent of salary and benefit expenses to cover processing costs for payroll, payroll accounts, group insurance fees, etc. Some agencies have gone to

the extent of recognizing that the superintendent and business administrator have final responsibility over the educational content and financial solvency of the fund and have therefore charged a portion of the costs associated with their offices to the enterprise fund. Others have recognized that certain common expenses such as general liability insurance and debt service payments should be borne by all those who benefit from the insurance protection or capital improvement.

The extent to which a reallocation of expenses will force the enterprise fund into a negative balance could be considered an informal measure of the necessary level of tax support. The final decision on the allocation of tax revenues to an enterprise fund is clearly a local decision. The local government budget review program has commonly encouraged agencies to work to ensure that the level of tax subsidy is a conscious, public policy decision driven by a clear understanding of the benefits to the public at large.

Accordingly, **it is recommended (#8) that the board of education request the staff to prepare a report outlining an appropriate sharing of common expenses between the general fund and the Community School Enterprise Fund.** The retained earnings on June 30, 1996 for the Community School Fund were \$247,432.62, an increase of \$38,120.67 over the prior year. It is highly probable that a number of common expenses can be shared between funds without adversely affecting the financial stability of the Community School Fund or forcing the board into adopting an increase in the program fee structure.

Based upon an equalized net total valuation of \$4,104,714,072 as of June 30, 1996, sharing approximately \$200,000 of expenses could result in a net tax reduction of one half cent. The ratio of values between Morris Township and Morristown at the time this recommendation is implemented will have an impact on the size of the actual tax reduction for each community.

### **The Adequacy of Individual Program Fees**

The fact that selected expenses can be shared between funds without forcing an increase in program fees does not mitigate the need to compare specific program expenses and revenues regularly. Table Two lists the revenues and expenditures for the major programming categories that is prepared by the staff each year. Table Three shows the net proceeds or loss per category.

Expenses exceeded revenues in every year for the adult education and swimming program. Similarly, 1992 was the last time that trip revenues exceeded trip expenses. From 1993 through 1995 the annual loss for trips averaged approximately \$4,612. On the other hand, in three out of the four years analyzed the sunrise/sunset revenues exceeded expenses.

### **TABLE TWO**



**A SYNOPSIS OF PROGRAM REVENUES AND EXPENSES  
COMMUNITY SCHOOL FUND**

Year Ending	<u>6/30/92</u>	<u>6/30/93</u>	<u>6/30/94</u>	<u>6/30/95</u>
<b>RECEIPTS</b>				
Adult Education	4,517.57	852.50	1,452.29	137.39
Trips	9,506.52	3,957.78	1,876.05	6,189.85
Sunrise/Sunset	16,635.29	17,481.82	17,951.53	22,856.28
Swimming	85.00	-0-	-0-	-0-
Summer Plus	138,913.39	168,684.17	162,314.67	197,140.39
<b>OPERATIONS</b>	<b>169,657.87</b>	<b>190,976.27</b>	<b>183,594.54</b>	<b>226,323.91</b>
Interest Income	921.77	566.97	394.30	462.85
Miscellaneous	<u>51.72</u>	<u>&lt;137.11&gt;</u>	<u>3.90</u>	<u>13.24</u>
<b>TOTAL</b>	<b>170,631.36</b>	<b>191,406.13</b>	<b>183,994.74</b>	<b>226,800.00</b>
<b>DISBURSEMENTS</b>				
Adult Education	8,781.00	8,774.39	3,568.48	10,474.10
Trips	4,028.84	5,868.12	8,149.42	11,843.95
Sunrise/Sunset	15,601.48	16,705.70	19,342.21	22,439.65
Swimming	837.00	414.00	1,460.00	1,924.50
Summer Plus	3,899.68	4,498.35	5,336.24	5,285.50
<b>OPERATIONS</b>	<b>33,148.00</b>	<b>36,260.56</b>	<b>37,856.35</b>	<b>51,967.70</b>
Administration	8,582.94	11,374.61	13,374.68	12,704.57
<b>TOTAL</b>	<b>41,730.94</b>	<b>47,635.17</b>	<b>51,231.03</b>	<b>64,672.27</b>
<b>NET REVENUE</b>	<b>\$128,900.42</b>	<b>\$143,770.95</b>	<b>\$132,763.71</b>	<b>\$162,127.73</b>
Prior Balance (est.)	<u>196,093.66</u>	<u>236,387.45</u>	<u>298,502.84</u>	<u>291,270.74</u>
<b>YR. END TOTAL</b>	<b>325,994.08</b>	<b>\$380,158.40</b>	<b>\$431,266.55</b>	<b>\$453,398.47</b>

**TABLE THREE  
NET PROGRAM PROCEEDS <LOSSES> BY YEAR -**

Year Ending	<u>6/30/92</u>	<u>6/30/93</u>	<u>6/30/94</u>	<u>6/30/95</u>
Adult Education	<8,871.00>	<7,921.89>	<2,115.49>	<10,336.71>
Trips	5,477.68	<1,910.34>	<6,273.37>	< 5,654.10>
Sunrise/Sunset	1,033.81	776.12	<1,390.68>	416.63
Swimming	<752.00>	<414.00>	<1,460.00>	<1,924.50>
Summer Plus	135,013.71	164,185.82	156,978.43	191,854.89

The summer plus program has been a resounding success financially every year. Revenues have exceeded program expenses by an average of \$162,008 per year. It is curious that the only two program categories where revenues consistently exceeded expenses were the programs focusing on children. An argument could certainly be made that the fees for the children's programs are subsidizing the fees for the adult programs. The importance of the sunrise, sunset and summer plus programs cannot be under-estimated, particularly given the demographic changes occurring throughout the area as older homes are purchased by younger families in which both parents must work full time.

The summer plus program fees were not found to be unusually high. As such, **it is recommended (# 9) that consideration be given to adjusting the fees for all trips and avocational adult education classes to cover all of their requisite expenses.**

### **The Long Term Future and Mission of the Community School Fund**

The Morris School District is in the unique, and sometimes awkward position of serving the largest constituency in the area. It serves the population of Morris Township and Morristown in its entirety and it serves the families of the public secondary school students living in Morris Plains. As noted in the reports submitted to the three area municipalities, the school district has occasionally been forced to deal with frustrations regarding the differences in recreation policies and fees between Morris Township and Morristown. For example, the fact that two or more children can sit together in the classroom and play together during recess but cannot register for the same T-ball program is a very real problem.

Based upon an unusually large number of comments made by parents, board members, faculty and staff during the field interviews, the review team learned that this separation manifests itself in ways far more important and serious than the logistics of getting children to and from their practices and games. By default, the school district has become the focal point for the expression of frustration and/or the unwilling defender of policies made by other agencies.

Yet another frustration identified during the review process was the perception of excessive redundancy and unwarranted overhead expenses caused by the existence of too many public recreation bureaucracies. The logical solution is to combine them. Given the existence of the enterprise fund structure of the Community School Fund as well as the fact that the district already serves the largest constituency, **it is recommended (# 10) that the Morristown, Morris Township, Morris Plains and Morris School District's recreation programs be merged into the Community School Enterprise Fund.**

Given implementation of the detailed reporting and cost accounting methods as well as preparation of a thorough inter-governmental agreement to ensure the long term stability of the fund, there is no reason why the recommended organizational structure would not succeed in a manner that is both cost effective and highly responsive to the demands of the

community. The expansion in staffing and budget allocations that would have to occur within the Community School Fund budget would, in all likelihood, be smaller than the reductions in staffing and budgeting that could occur in each municipality.

## NON-ACADEMIC FACILITY USE

A common challenge facing most schools districts is to identify and implement a fair policy that makes the publicly owned facilities available to the public, yet at the same time ensures that the taxpayer is not underwriting the cost of the facility use inappropriately. For example, there is little doubt that the use of a school facility as a polling place serves the public at large. As such, the school's costs associated with this use presumably would be an appropriate district expenditure. On the other hand, the expenditure of public funds to cover the same costs resulting from the use of the same facility by a non-profit club that is conducting a program or event that is not open to the public may not be appropriate.

The district has adopted a policy that appears to strike a reasonable balance in terms of recovering costs and gaining access to the facilities. It has also gone to the extent of establishing specific insurance criteria based upon the nature or type of event. The district uses five specific definitions for determining the facility use and labor charges.

**TABLE FOUR**  
**A SYNOPSIS OF FACILITY AND LABOR CHARGES BY CATEGORY**

**Priority One**

School organizations, scouts,  
approved community activities

NO CUSTODIAL FEES  
NO FACILITY FEES

**Priority Two**

Local municipalities, local or-  
ganizations serving children, other local  
community groups

EXTRA CUSTODIAL WORK  
TECHNICIANS AS NEEDED  
NO FACILITY FEES.

**Priority Three**

Responsible groups from the community  
- no admission charges

ALL CUSTODIAL EXPENSES  
TECHNICIANS AS NEEDED  
TIER ONE FACILITY FEES

**Priority Four**

Political parties, responsible groups  
from outside the community

ALL CUSTODIAL EXPENSES  
TECHNICIANS AS NEEDED  
TIER TWO FACILITY FEES

**Priority Five**

For profit activities - content of benefit  
to the community

ALL CUSTODIAL EXPENSES  
TECHNICIANS AS NEEDED  
TIER THREE FACILITY FEES

All applications meeting the criteria of the first two definitions do not pay a building use fee. The remaining three categories pay fees that range from \$4.50 per hour for use of a

classroom to \$315.00 per hour for use of the high school auditorium and two dressing rooms. The labor charge varies with each category also even though “a custodian must be present during any use of a school facility.”

The application of this policy generates between \$50,000 and \$70,000 per year in non-tax revenues for the district. It does not appear that the district is recovering the costs that are intended, particularly when the salary and benefit expense for the coordinator of building use is included. Accordingly, **it is recommended (# 11) that the district pursue the following:**

A. Move the responsibility for coordinating all non-academic building use to the Community School Fund. This should alleviate an overlapping, if not redundant function since a considerable amount of the after-hours building use is generated through this office. It will also compliment the proposed recommendation (# 10) to consolidate all community recreation and leisure functions into one publicly funded organization. Finally, transferring this task out of the purchasing and accounting section will facilitate a reorganization of individual job responsibilities and staffing requirements in that section.

B. Ensure that the cost of all benefits, i.e. Medicare and social security, certain insurances such as unemployment and disability coverage, pension costs, etc., are included in the fees charged for labor. The indirect costs that are not based on actual hours worked or wages paid such as health insurance would continue to be the responsibility of the district.

C. Ensure that an appropriate portion of “overhead” costs such as utilities, administration, etc. are included in the facility fee.

D. Establish a mechanism to collect data and report regularly on the expenses incurred by the district as a result of facility use. This can serve as an informal indicator of the need to adjust fee schedules and/or review the adopted policy.

The review team was given a summary of the applications received for building and field use from January through June, 1995. Overall 64 applications were received and processed. This total does not include the building or field use generated through the Community School Fund. Several of these applications were for the same dates and same purpose but at different sites. In effect they were one multi-part application, which probably would not generate a burden for the staff of the Community School Fund. It will also reduce the number of staff members that must be involved in the discussions regarding facility scheduling.

#### **TABLE FIVE SUMMARY OF FACILITY USE APPLICATIONS**

January 1, 1995 - June 30, 1995

Municipal Recreation	20
Recreation Club	10
Municipality - Voting	7
Church/Denomination	7
Other	<u>20</u>
<b>TOTAL</b>	<b>64</b>

Given thorough enforcement of a revised set of fees and charges it would not be unreasonable to expect the non-tax revenue to increase by at least 33 percent, or about \$23,000 per year. It is unlikely that a revised fee schedule would prevent any of the agencies currently using the facilities from continuing their programs. In the unlikely event that a substantive problem did arise, the board should retain its authority to waive any and all fees.

## **AN ANALYSIS OF THE DISTRICT'S UNRESTRICTED FUND BALANCE**

A major component of every budget development cycle and budget debate is the year end fund balance. In its simplest form, the change in the year-end fund balance is a yardstick that can be used to ascertain whether the annual revenues met or exceeded the annual expenses. It is also one of the most commonly used tools to mitigate the impact of the budget on the school tax rate.

School budgets for the next fiscal year are prepared well before the end of the current fiscal year. The annual public vote on the next budget normally occurs within the first few days of the 4th quarter of the current fiscal year. As such the ending fund balance used to prepare the budget cannot be anything more than an estimate. The accuracy of this estimate is pivotal for the reasons outlined above. It is also important because Department of Education regulations limit the amount of public money that can be retained in an unrestricted fund balance.

Based upon data published in the audits and the comprehensive annual financial statements (CAFR), for the period beginning June 30, 1989 and ending June 30, 1996 the unrestricted or "free balance" grew approximately \$1,750,544 from \$5,080,522 to \$6,831,066. This is an increase of approximately 34 percent. During the same period the total authorized appropriations grew by approximately 10 percent. The amount of the public money that was retained grew three times faster than the increase in authorized appropriations.

It is important to note that the growth in the fund balance was not steady. In fact, the year end balance declined as of June 30, 1989 and again on June 30, 1990 when the balance was approximately \$4,161,023. One major factor that appears to have contributed to the growth of the fund balance since 1990 has been the apparent inability to make accurate predictions on what the year end fund balance will be. As shown in Table Four, the projected ending balance was underestimated every year. In two of the six years reviewed the estimate was off by more than 100 percent. In the four other years the estimates were off by an average of 31 percent.

As a result of the low estimates the amount of money that was available to allocate as a revenue in the upcoming budget was understated. To be sure, it is the decision of the locally elected officials whether this money would have been allocated. However, given the fact that the district ended the year with a balance in excess of the permitted ceiling it is logical to presume that they would have done so.

For example, at the end of the 1994-1995 fiscal year the district actually had \$3,806,281 more in its surplus than is permitted. When the budget was prepared and before this number was known, only \$2,100,000 was listed as a revenue for the upcoming year.

**TABLE SIX**  
**AN ANALYSIS OF THE FUND BALANCE**  
**1989-1997**

	<u>1989-1990</u>	<u>1990-1991</u>	<u>1991-1992</u>	<u>1992-1993</u>	<u>1993-1994</u>	<u>1994-1995</u>
Prior Year Ending Balance	\$5,080,522	\$4,753,154	\$4,161,023	\$5,006,219	\$5,546,801	\$6,990,442
Fund Balance Budgeted	\$1,056,384	\$1,500,000	\$1,435,500	\$1,032,799	\$1,603,509	\$2,100,000
Adjusted Beginning Balance	\$4,024,138	\$3,253,154	\$2,725,523	\$3,973,420	\$3,943,292	\$4,890,442
Annual Surplus/(Deficit)	\$729,016	\$907,869	\$2,280,696	\$1,749,463	\$3,047,150	(\$96,500)
Actual Ending Balance	\$4,753,154	\$4,161,023	\$5,006,219	\$5,722,883	\$6,990,442	\$4,793,942

NOTE: \$176,082 difference between 6/30/93 and 7/1/93 due to transition to GAAP. The Special I longer included.

Annual Surplus/FB Budgeted	0.6901	0.6052	1.5888	1.6939	1.9003	-0.0461
Growth in Ending Balance		(\$592,131)	\$845,196	\$716,664	\$1,267,559	(\$2,196,500)
Percentage Growth		-12%	20%	14%	22%	-31%



**TABLE SEVEN**  
**A COMPARISON OF ACTUAL AND ESTIMATED ENDING BALANCE**

	<u>1989-1990</u>	<u>1990-1991</u>	<u>1991-1992</u>	<u>1992-1993</u>	<u>1994-1995</u>	<u>1995-1996</u>
Actual Ending Balance	\$4,753,154	\$4,161,023	\$5,006,219	\$5,722,883	\$6,990,442	\$4,793,817
Estimated Ending Balance		\$3,260,056	\$1,824,725	\$4,517,281	\$4,340,292	\$4,448,417
Difference		\$900,967	\$3,181,494	\$1,205,602	\$2,650,150	\$345,400
Percent Under-estimated		28%	174%	27%	61%	8%

**TABLE EIGHT**  
**A COMPARISON OF THE ENDING BALANCE TO THE PERMITTED RESERVE**

	<u>1989-1990</u>	<u>1990-1991</u>	<u>1991-1992</u>	<u>1992-1993</u>	<u>1994-1995</u>	<u>1995-1996</u>
Actual Ending Balance	\$4,753,154	\$4,161,023	\$5,006,219	\$5,722,883	\$6,990,442	\$4,793,817
Total Appropriation	\$41,471,154	\$43,506,050	\$44,804,833	\$45,899,125	\$42,455,479	\$44,804,833
Balance/Appropriation	11.46%	9.56%	11.17%	12.47%	16.47%	10.70%
Permitted Reserve	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Permitted Amount	\$ 3,110,337	\$ 3,262,954	\$ 3,360,362	\$ 3,442,434	\$ 3,184,161	\$ 3,590,864
Excess on Hand	\$1,642,817	\$898,069	\$1,645,857	\$2,280,449	\$3,806,281	\$1,202,953

Had the estimates of the year end balance been more accurate the district would have been required to allocate another \$1,706,281. Based upon the combined equalized assessment, this amount equates to approximately 4.15 cents on the school tax rate. It is not uncommon to find financially sound districts that chose to maintain an unrestricted fund balance that is lower than the state mandated ceiling

It is also common to hear that developing an accurate estimate of the year end fund balance is problematic because most capital improvements are scheduled to be done in warm weather, or in the fourth quarter of the fiscal year. The impact of this argument is overrated, particularly if a sound capital development plan has been approved and it is managed effectively.

To ensure that the board and the public has the best possible estimate available for use in planning the next budget, **it is recommended (# 12) that the following actions be considered:**

A. Hold a formal review of the current year capital development plan in November, December or January every fiscal year. If budgeted projects are not going to occur or cost estimates are significantly less than expected then appropriate decisions on budget modifications can be made.

B. Establish a formal policy expressly limiting new capital appropriations and new operating expense amendments to the budget in the fourth quarter. This will reduce unplanned fourth quarter spending and it will help the finance staff and/or the auditor develop a more accurate estimate of the year-end fund balance.

Once a framework to improve the accuracy of the year end estimates is established and implemented, **it is also recommended (# 13) that the board consider what is a reasonable limit for the unrestricted fund balance.** Given the overall excellent physical condition of the facilities and the thorough detail contained in every budget document, a very strong argument can be made that the district does not need to maintain a fund balance at the six percent statutory limit. A decision to limit the unrestricted fund balance to five percent would have made an additional \$1,061,387 in surplus funds available for use as a revenue in the fiscal year 1996-1997. Based on the combined equalized valuation this is roughly equivalent to 2.6 cents on the tax rate.

The amount of free balance that is retained by the district, i.e., not used as a revenue for the upcoming budget can also have an impact on the municipal tax rate. Since each municipality is required to provide the school district and the county with 100 percent of their tax levy the municipality must include a “reserve for uncollected taxes” in the municipal tax rate. For every penny that is added to or subtracted from the school tax levy there is a corresponding change in the municipality’s reserve for uncollected taxes requirement. Since the school tax is the largest of the three components, its impact on this reserve is also the largest.

In 1995 the school tax was approximately 45.23 percent of the total levy in Morristown. In Morris Township it was approximately 55.86 percent of the levy. The reserve for uncollected taxes in Morristown and Morris Township for that year totaled approximately \$3,458,408. Approximately \$1,790,307 was the result of the school tax rate. If this amount could be reduced by 10 percent as a result of a lower school tax rate, then each municipality would have the opportunity to lower its tax rate by at least one cent. It is incumbent on elected members of the Morris Township Committee and the Morristown Council to take full advantage of every opportunity presented to them.

## **SALARY, WAGE AND BENEFIT ISSUES**

During the course of the review team's field work the district was engaged in labor negotiations with the local chapter of the New Jersey Education Association. While ongoing collective bargaining is not subject to the provisions of the Open Public Meetings Act or the Right To Know law, the public presentations at meetings of the board of education by the elected leadership of the union effectively removed any cloak of confidentiality.

Also, at a board meeting, one of the non-teaching members of the local bargaining unit objected to the criticisms by the union leadership of the board's offer. Subsequently, several non-teaching employees expressed concern and frustration to review team members over being ostracized by the very group that was supposed to represent their interest. The diversity of opinion and the obvious tension within the bargaining unit was described as a cause of concern and frustration by several non-teaching employees and citizens who were interviewed during the review process.

On one hand, there was strong appreciation and respect for the quality of the work being done by the teaching and non-teaching members of the staff, yet there was an equally strong assertion that the current pay rates as well as the historical growth in the pay scales had been excessive, particularly in light of the existing tax burden. Probably the most pointed criticism came from active members of organized labor working in the private sector who suggested that the public union was "oblivious to the economic realities of the times."

The synopsis of the events and interview comments is provided for the exclusive purpose of emphasizing the importance of assessing market trends and evaluating the impact of labor costs on the public, particularly when salaries, wages and benefits are the largest portion of the budget. During the 1994-1995 school year the district spent approximately \$36,200,900 on salaries, wages and benefits. Approximately 80 percent of the personnel on the payroll were ten month employees. Based on the combined equalized assessment of Morristown and Morris Township it took the equivalent of approximately \$.88 per \$100 valuation to cover the cost of wages, salaries and benefits.

Based upon an analysis of the collective bargaining agreements in place at the time of the field work as well as an assessment of the contracts in other districts, the review team found the following components which were not consistent with current market patterns and trends.

### **Vacation Allocations**

Administrators, some technical and administrative support staff and 12 month certified employees receive vacation allotments in excess of the vacation accrual rates for the other personnel in the district. The accrual rates for these full-year employees are also greater

than the vacation schedules for most state employees. It is important to note that time off when schools are closed for vacations during the year are not charged against the employee's vacation record. The amount of time off may provide yet another reason why the business staff of the district is larger than the business staff in other similar districts.

**It is recommended (# 14) that the board amend the vacation accrual rates to eliminate the disparities between employees.** It is further recommended that the district seek to establish the existing schedule for the custodians, secretaries and maintenance personnel as the optimal schedule. The Fair Labor Standards Act stipulates that vacation time is mandatorily compensable. As such, the district is incurring at least 100 percent of the salary, wage and employment taxes for all vacation time. It is also incurring other benefit costs such as medical and dental expenses when vacation time is taken during the course of the year.

Implementing the recommended change in vacation schedules would have the impact of improving the value of the public expenditure as a result of increased productivity and a reduction in the expense for compensated absences.

### **Sick Leave Allocations**

10 month employees are allocated 13 days of sick leave per year while 11 and 12 month employees are allocated 15 days per year. All employees are permitted to carry unused sick leave forward indefinitely. As such, it becomes a form of insurance against a protracted illness or a limiting injury that occurred outside the work place.

**It is recommended (#15.A) that the district establish a uniform policy for the allocation of sick leave. It is further recommended (# 15.B) that an allocation rate of 1.25 days per month work be used.** When this is rounded to the nearest full day it would result in no change for the 10 or 12 month employees, but it would reduce the annual allocation from 15 to 14 days for the 11 month employees. This system would create a greater degree of equity among all employees. Sick leave benefits are not customarily different due to factors such as seniority, longevity or the length of the annual contract.

The enhanced value of this change is much more problematic than a change in vacation accrual rates because unused sick leave is not mandatorily compensable. Given the district current policy to pay retirees for the portion of their unused sick leave, it is reasonable to suggest that there would be a reduction in future costs. Given the compounding effect of most salary, wage and benefit adjustments, cost avoidance strategies are becoming increasingly more important.

**TABLE EIGHT**  
**A SUMMARY OF PAYROLL AND BENEFIT COSTS BY SITE**  
**FISCAL YEAR 1994-1995**

<b><u>EXPENSE</u></b>	<b>GROSS SALARY</b>	<b>MEDICAL COST</b>	<b>DENTAL COST</b>	<b>EMPLOY TAX</b>	<b>LOCAL TOTAL</b>	<b>TPAF/ PERS</b>
<b><u>SCHOOL/SITE</u></b>						
HAMILTON	\$2,019,260	\$188,102	\$24,057	\$154,477	\$2,385,896.	\$19,981
HILLCREST	\$1,794,169	\$195,664	\$27,672	\$137,251	\$2,154,756	\$17,476
SUSSEX	\$2,047,391	\$181,806	\$24,202	\$156,629	\$2,410,028	\$20,071
JEFFERSON	\$1,726,729	\$134,630	\$18,972	\$132,093	\$2,012,424	\$16,642
VAIL	\$1,807,398	\$181,918	\$24,677	\$138,262	\$2,152,255	\$18,297
WOODLAND	\$1,762,858	\$173,235	\$23,662	\$134,859	\$2,094,614	\$17,183
FREYLINGHUYSEN	\$5,207,103	\$407,757	\$52,256	\$398,346	\$6,065,462	\$50,304
LAFAYETTE	\$1,599,213	\$145,573	\$19,691	\$122,345	\$1,886,822	\$15,737
MORRISTOWN H.S.	\$8,862,892	\$661,087	\$86,871	\$678,018	\$10,288,868	\$85,820
NORMANDY PARK	\$2,593,039	\$219,019	\$25,699	\$198,369	\$3,036,126	\$26,721
OTHER *	<u>\$1,147,528</u>	<u>\$159,272</u>	<u>\$20,105</u>	<u>\$87,788</u>	<u>\$1,414,693</u>	<u>\$ 10,738</u>
<b>TOTAL</b>	<b>\$30,567,580</b>	<b>\$2,648,063</b>	<b>\$347,864</b>	<b>\$2,338,437</b>	<b>\$35,901,944</b>	<b>\$298,970</b>

\* Includes transportation, maintenance, other mobile staff.

## Extended Sick Leave

Based on existing board policy, an employee may be granted extended sick leave if all accumulated sick leave has been used. The pay of the employee is continued at 50 percent and all benefits such as medical and dental insurance remain in effect. There was no evidence of criteria or conditions upon which a decision to grant extended sick leave are based. Notwithstanding the relatively infrequent application of this benefit, if it is going to be continued, **it is recommended (# 16) that specific criteria be established in an adopted policy statement.** This should negate any opportunity for real or perceived differences in the utilization of the benefit.

**It is also recommended (#17) that the board consider eliminating the extended sick leave program in favor of a donated sick leave program.** An employee who (1) has been out of work for an extended period of time due to an illness or injury, (2) has no sick leave remaining, and (3) is projected to be out of work for 30 or more calendar days, can accept the donation of unused sick leave days from fellow workers. It is unlikely that the daily rate of pay of the absent employee will match the daily rate of pay for the donated days. Nevertheless, the value in terms of organizational cooperation, cohesion and spirit can be very significant. The difference in the payroll expense between the half rate of pay under the extended sick leave program and the full rate of pay under the donated leave program is offset by the fact that for every additional day of compensation one full day of sick leave is consumed.

## Personal Leave

The allocation of paid personal days was found to be unusually high. It is quite common for state, local and school district employees to receive a maximum of three days per year. In the Morris School District, administrators receives five days per year. Both teachers and administrators may convert two unused personal days to sick leave at the end of the year. **It is recommended (# 18) that the district eliminate two personal days per year for the administrators. It is also recommended (#19) that the district eliminate the provision of converting personal days to sick days.**

The elimination of the conversion provision becomes particularly important in light of the previous recommendation to resolve the inequities in sick leave. The conversion procedures also permit a retiree to be paid for unused personal days although no policy statement or collective bargaining agreement expressly permits this.

## Longevity Pay

The schedule of base salaries for nearly all employees in the district contain a series of graduated steps. Longevity was recently eliminated for administrators. When a salary guide contains graduates steps or grades, longevity becomes a redundant and unnecessary

form of compensation. During the 1994-1995 year the cost of longevity pay was approximately \$333,321. **It is recommended (# 20) that the district eliminate longevity pay.** In addition to eliminating a redundancy, this action should have the effect of placing a greater priority on individual productivity and post graduate education.

**TABLE NINE  
A SUMMARY OF LONGEVITY PAYMENT RATES**

<u>GROUP</u>	<u>TIME PERIOD</u>	<u>PAYMENT</u>
Administrators Assn.		NONE
TEAM-Certified	6-9 years	\$150/yr.
	10-14 years	\$250/yr.
	15-19 years	\$350/yr.
	20 or more years	\$300/yr.
TEAM-Non Certified	5-9 years	\$375/yr.
	10-14 years	\$700/yr.
	15 or more years	\$925/yr.
Food Service Employees		50% of above increments
Transportation Employees		70% of above increments
Lunchroom Aides		25% of above increments

### **Summer School Pay**

The length of service affects the rate of pay for teachers who elect to teach summer school. **It is recommended (# 21) that a standard hourly rate of pay be established for all summer school teaching positions,** particularly since the assignment is optional and it serves as a supplemental form of income. Other districts in the area have settled on a rate of \$25.00 per hour. In addition to generating a reduction in the cost of summer school, it may generate additional opportunities for the younger teachers who may earn less during the regular school year and who will benefit from the additional teaching experience.

### **The Cost of Health Benefits**

The district has been vigilant in its efforts to minimize the cost of health insurance benefits while continuing to provide excellent coverage options to its employees. In the interest of continuing to evaluate market trends and market rates the district responded favorably to a memorandum distributed by the Morris County Educational Services Commission that was seeking participants for an actuarial study for the purpose of determining the



feasibility of forming a county wide health insurance fund. While there is no certainty that a multi-agency self-insurance fund would lower rates this action is yet another indicator of the district's efforts to control this "cost driver."

If the district is to make additional progress in controlling the cost of health insurance it must begin to consider higher deductibles and co-payments, particularly for dependent coverage. Table Eight shows approximately 40.39 percent of the increase in the New York-Northern New Jersey consumer price index over the last ten years has been the cost of medical care and medical care services. A five year analysis covering the period 1991-1996 shows that these services have accounted for approximately 45.32 percent of the increase in the CPI-U.

The district has borne the increase in the cost of health care and health related services through its insurance premiums even though the negotiated salary increases have exceeded the rate of inflation.

Approximately 600 employees are insured through the district's health benefit program. About 40 percent have selected family coverage, 21.5 percent chose "employee only" coverage and the balance are covered by a parent-child or husband-wife premium. **It is recommended (# 22) that the district establish a monthly co-payment for health insurance.** For example, a charge of \$15.00 per month for parent-child coverage, \$20.00 for husband-wife coverage and \$30.00 per month for family coverage would save the district approximately \$139,320 per year. The proposed co-payment for an entire year is less than the premium for one month. It is also less than the inflationary impact of medical care and medical service care over the last ten years. As such, a co-payment will not create a hardship or burden for a vast majority of the employees. If anything, the creation of a co-payment is likely to encourage families to eliminate unnecessary duplicate insurance coverage.

### **Sick Leave Pay Upon Retirement**

As noted earlier, unused sick leave may be carried over from year to year as a form of term insurance against a loss of income due to illness or injury. Based on current district policy and its collective bargaining agreements, an employee is entitled to be paid for a portion of their unused sick leave upon retirement. There is no cap on the amount a retiree may receive. In effect, this term insurance policy is transformed into a savings account at the taxpayers expense.

During a random review of retirement "settlements," there were cases where retirees had been paid in excess of \$65,000. Unlike accrued vacation, sick leave is not mandatorily compensable work time. It is a matter of local discretion and local collective bargaining.

**TABLE TEN**  
**AN ANALYSIS OF CPI-U COMPONENTS**  
**1986-1996**

<u>Component</u>	Food & Beverage	Housing	Apparel/ Upkeep	Trans- portation	Medical Care	Medical Care Services	Enter- tainment	AL ITI
<u>Date</u>								
<b>December 1996</b>	156.6	154.0	130.3	145.2	230.6	235.0	160.8	160.8
<b>December 1986</b>	110.9	111.5	107.5	101.4	125.8	125.7	112.9	112.9
<b>CHANGE</b>	45.7	42.5	22.8	43.8	104.8	109.3	47.9	47.9
<b>% CHANGE</b>	29.18%	27.60%	17.50%	30.17%	45.45%	46.51%	29.79%	32.77%

**RANK ORDER OF GROWTH**  
**(Largest to Smallest)**

<u>COMPONENT</u>	<u>CHANGE</u>	<u>EQUALIZED</u>
Med Care Services	45.51%	20.21%
Medical Care	45.45%	20.18%
Transportation	30.17%	13.40%
Entertainment	29.79%	13.23%
Food & Beverage	29.18%	12.96%
Housing	27.60%	12.26%
Apparel & Upkeep	17.50%	7.77%

**TABLE ELEVEN**  
**A FIVE YEAR ANALYSIS OF CPI-U COMPONENTS**  
**1991-1996**

<u>Component</u>	Food & Beverage	Housing	Apparel/ Upkeep	Trans- portation	Medical Care	Medical Care Services	Enter- tainment	AL ITI
<u>Date</u>								
<b>December 1996</b>	156.6	154.0	130.3	145.2	230.6	235.0	160.8	160.8
<b>December 1991</b>	137.3	135.0	129.6	125.3	182.6	182.8	139.9	139.9
<b>CHANGE</b>	19.3	19.0	.7	19.9	48.0	52.2	20.9	20.9
<b>% CHANGE</b>	12.32%	12.34%	.54%	13.71%	20.82%	22.21%	13.00%	13.00%

**RANK ORDER OF GROWTH**  
**(Largest to Smallest)**

<u>COMPONENT</u>	<u>CHANGE</u>	<u>EQUALIZED</u>
Med Care Services	22.21%	23.39%
Medical Care	20.82%	21.93%
Transportation	13.71%	14.44%
Entertainment	13.00%	13.69%
Housing	12.34%	13.00%
Food & Beverage	12.32%	12.98%
Apparel & Upkeep	.54%	.57%

Obviously, the district's entire liability would not come due and payable at the same time, but the district is certain to see an increase in the amount paid out annually as more faculty and staff become eligible to retire. Given the high salary schedule, particularly for the certified and professional members of the faculty and staff, **it is recommended (# 23) that the practice of paying for unused sick leave be closely reviewed.** One alternative would be include eliminating all payments for unused sick leave for certified and professional staff and capping the payment, at \$15,000. for all other positions.

If the district chooses not to impose a cap or cannot do so as a result of the collective bargaining process then the annual liability for sick leave payments would become a major component of the staffing and staff financing strategy plan previously recommended.

## **FOOD SERVICE OPERATIONS**

Five kitchen facilities are used to prepare hot meals that are served at all nine schools. As in most food service operations, there are a number of part time workers. Overall, there is the equivalent of 33 full time positions. This includes the recent addition of the “Supervisor of Catering/Staff Meals” position. Overall, the food service enterprise fund has not been self-supporting.

Table Ten displays a five year analysis of the revenues and expenses of the food service enterprise fund. The 1991-1992 fiscal year was the only year in which the results of operations showed a gain. One other year, 1992-1993, showed a net gain after the annual budget allocation, the non-operating expenses and the audit adjustments were included. Since the end of fiscal year 1993 the fund has shown a loss of \$252,092. Were it not for budget allocations totaling \$357,438 the total loss would have been approximately \$535,666. The food service enterprise fund balance would not have been able to absorb the entire amount.

A significant improvement was made during the 1995-1996 fiscal year when the net loss for the year was reduced to \$16,170. At year end the fund balance was \$175,265. This is approximately \$8,500 less than the average direct operating cost for the five kitchens for a two month period. If the district is able to operate with no cost increases, which admittedly is not likely, the existing fund balance is appropriate based upon the two month “rule of thumb” for enterprise funds.

A preferable outcome would be to maintain an appropriate fund balance and reduce the tax supported subsidy of the food service program. In order to better understand the overall profit and loss statements the review team analyzed monthly operating costs for the five sites where meals are produced from September 1995 through February, 1996. The cost of benefits for the summer months was consolidated and charged to administration in order to evaluate the actual operating expenses and revenues at each of the sites.

One facility, Freylinghuysen, showed an operating profit. The Woodland School kitchen essentially broke even. The four remaining kitchens all lost money. The largest financial drain on the fund during the study period was the Morristown High School. The loss was approximately \$19,423.38. The overall operating result for the five kitchens plus the food service administration was a \$41,486.20 loss. After a pro-rated portion of the budget allocation appropriation was added the net loss was reduced to \$3,583.38.

A 50 percent reduction in the budget allocation would reduce the tax support for the service to a level roughly equivalent to the support provided in the 1991-1992 fiscal year. In order to achieve this and retain the existing fund balance, at least \$78,670 in reduced

**TABLE TWELVE**  
**A SUMMARY OF FOOD SERVICE PROFITS AND LOSSES**  
**1992-1996**

<b>ENDING 6/30</b>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>Change:</u> <u>96</u>
<b>REVENUES</b>						
Sales	\$575,185	\$573,468	\$653,625	\$656,128	\$694,560	120.75
Aid	\$243,292	\$306,741	\$398,439	\$422,890	\$343,279	141.10
Interest Income	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>\$651</u>	<u>-0-</u>	--
<b>OPERATING</b>						
<b>REVENUE</b>	\$818,477	\$880,209	\$1,052,064	\$1,079,669	\$1,037,839	126.80
<b>EXPENSES</b>						
Labor	\$450,523	\$695,580	\$788,834	\$784,406	\$674,309	149.67
Food	\$312,085	\$347,907	\$399,677	\$477,527	\$431,362	138.22
Supplies/Services	\$ 39,001	\$41,407	\$48,805	\$46,673	\$53,645	137.55
<b>OPERATING</b>						
<b>EXPENSES</b>	<u>(\$801,609)</u>	<u>(\$1,084,894)</u>	<u>(\$1,237,316)</u>	<u>(\$1,308,606)</u>	<u>(\$1,159,316)</u>	144.62
<b>RESULT OF OPS.</b>	\$16,868	(\$204,685)	(\$185,252)	(\$228,937)	(\$121,477)	-720.10
Budget Allocation	\$68,907	\$272,269	\$122,438	\$110,000	\$125,000	181.40
Non-Operating.						
Expenses/Adj.	<u>(\$19,581)</u>	<u>(\$22,453)</u>	<u>(\$19,354)</u>	<u>(\$34,817)</u>	<u>(\$19,693)</u>	
<b>INCOME(LOSS)</b>	\$66,194	\$45,131	(\$82,168)	(\$153,754)	(\$16,170)	-24.43
Beginning Bal.	\$294,449	\$360,641	\$427,357	\$345,189	\$191,435	
Ending Balance	\$360,641	\$405,772	\$345,189	\$191,435	\$175,265	48.60

**TABLE THIRTEEN**  
**SIX MONTH ANALYSIS BY FOOD SERVICE SITE**  
**September 1995-February 1996**

<b>SITE</b>	<b><u>MHS</u></b>	<b><u>FMS</u></b>	<b><u>HILLCREST</u></b>	<b><u>SUSSEX</u></b>	<b><u>WOODLAND</u></b>	<b><u>]</u></b>
Sales	\$126,502.54	\$86,704.16	\$41,627.95	\$44,134.74	\$57,564.67	
Reimb./Other	<u>\$31,859.90</u>	<u>\$43,826.17</u>	<u>\$38,441.68</u>	<u>\$41,204.47</u>	<u>\$27,333.78</u>	
<b>TOTAL INCOME</b>	\$158,362.44	\$130,530.33	\$80,069.63	\$85,339.21	\$84,898.45	
Labor	\$100,394.61	\$66,739.87	\$47,847.52	\$57,172.16	\$48,817.18	
Food	\$68,672.77	\$43,064.40	\$26,667.12	\$29,482.10	\$31,926.88	
Supplies/Other	<u>\$8,718.44</u>	<u>\$6,266.75</u>	<u>\$6,980.68</u>	<u>\$4,721.81</u>	<u>\$3,702.21</u>	
<b>TOTAL EXPENSE</b>	(\$177,785.82)	(\$116,071.02)	(\$81,495.32)	(\$91,376.07)	(\$84,446.27)	(
<b>PROFIT(LOSS)</b>	<b>(\$19,423.38)</b>	<b>\$14,459.31</b>	<b>(\$1,425.69)</b>	<b>(\$6,036.86)</b>	<b>\$452.18</b>	(
Budget Allocation *						
<b>ADJUSTED P/(L)</b>						

\* Annual Allocation - (Summer Benefits+Administration)(.6) = Six Month Site Allocation

costs or additional revenues will have to be generated. **It is recommended (# 24) that the district and the food service staff consider the following:**

A. Eliminate all unwarranted subsidies. Meals are provided to the staff in the central administration building and to the faculty for less than the actual cost of production and delivery. While the fiscal impact is not likely to be significant, paragraph 6:20-9.9(b) of the Department of Education administrative code states: “Adult meal prices shall be established to cover all costs associated with the production and service of the adult meal.” This transaction should also help strengthen the focus of the food service enterprise fund as a self-supporting operation.

B. Consider a nominal increase in the cost of elementary school meals. For example, a five percent increase in sales revenues at the Hillcrest site would have resulted in an operating profit for the six month period studied by the review team.

C. Re-establish past contractual relationships such as providing lunches to private schools and non-profit social service agencies in the area. This was done in past years which suggests that at least some of the kitchen facilities have unused capacity. The additional meal production should not generate an increase in labor costs. Nevertheless, the price per meal should include the costs of food, supplies, production and delivery plus a nominal charge for providing the service. This would permit the district to recover a portion of its labor cost and establish a new source of revenue. It may also be necessary to separately document the cost of the food products purchased for these meals to show that federal and state grant revenues are not used to subsidize this effort.

D. Consolidate one or more kitchen sites. The opportunity to reduce the number of food preparation sites, even if it meant incurring a capital expenditure for renovation and expansion, would give the district the opportunity to reduce its recurring labor costs. Based upon the six month analysis conducted by the review team the average labor cost per site for the ten month operating period at the three elementary schools is approximately \$85,464. If the labor expense can be reduced by 66 percent, the district could finance approximately \$250,000 in renovations and still save roughly \$40,000 per year. Relocating some of the equipment in the Normandy Park site could strengthen this cost analysis.

E. Maximize interest income. Only one of the audits listed interest income as a revenue for the food service enterprise fund. If 75 percent of the June 30, 1996 fund balance was invested for one year at five percent the interest income would be approximately \$6,560. The remainder can be put in an interest bearing account and be readily available to ensure an adequate cash flow. Based on an annual interest rate of only 2.5 percent this “working capital” account would earn approximately \$1,100.

F. Identify the specific causes for the significant operating loss at the Morristown High School facility. The middle school kitchen generated a \$14,459 profit over the same six month period that the high school site sustained a \$19,423 loss. The eating habits and



preferences of the young adult population attending the high school are surely different from the students attending the elementary and middle schools. This does not detract from the need to eliminate the operating deficit. Some of the possibilities include one or more of the following:

F-1. Adjust meal prices upward. The student meal charges are at the maximum established by the Department of Education. Paragraph 6:20-9.9 of the Department of Education Administrative Code states:

**The Bureau shall annual establish the maximum per meal and milk charge pursuant to 7 CFR 210.2 and 215.8(c); however, sponsors may appeal to the Bureau to increase such maximum per meal or milk charge.**

Presuming no drop in sales, a five percent increase in prices would have eliminated approximately 33 percent of the operating deficit incurred between September, 1995 and February, 1996.

F-2. Franchise the high school operation. The opportunities range from a traditional food service corporation skilled in the preparation and delivery of institutional meals to one or more of the fast food sources that are popular with high school students.

F-3. Restructure the menu and pricing scheme to permit optimal production and limit food and revenue losses.

F-4. Contract for the preparation of meals off-site at one of the larger kitchens in the area such as the Morristown Hospital or the state facility at Greystone.

## THE DELIVERY OF SECURITY SERVICES

During the 1994-1995 school year the district spent at least \$176,022 to retain five full time security personnel at the high school. This total includes base salary, longevity pay, health and dental insurance premiums and the district's portion of the employment taxes. Any indirect costs incurred by the district, such as retirement settlements, vacations, and sick leave are not included in the total.

**It is recommended (# 25) that the district consider one or more of the following options to reduce the cost or enhance the value of the service being provided:**

A. Contract for security services for the days when the high school is open. The review team acknowledges the importance of having the same personnel on duty consistently to enhance public relations as well as rapport with the faculty, staff and students. Based upon an estimate of staffing five security posts for 200 work days lasting eight hours per day the district spent approximately \$110.00 per hour for security services. If the contract cost averaged \$75.00 per hour to staff five security posts the district could reduce its budget by approximately \$56,000. In addition it would not incur any direct liability for retirement settlements, workers compensation costs, etc. for these positions.

B. Arrange for the deployment of one or more police officers in the school during normal school hours. All three of the local police departments make a conscious effort to build positive relationships with the community. The high school population is a pivotal component of the community outreach effort. As such, the use of police officers could also be beneficial to the police departments. There may also be a financial advantage to the municipalities if they can return police officers who have been out of work due to an injury to a light or full duty status sooner than otherwise may be practical.

The cost per hour for police personnel is certain to be higher than the cost per hour for general security services. However, if the chiefs of police see an advantage to deploying personnel in the school on a regular basis then it may be feasible to cap the school's cost at the current level or even reduce it further.

C. Develop a supplemental contract for security services to cover the days or periods of time that the local police departments cannot provide coverage, particularly if the main pool of personnel are officers returning from a work related disability. The fact that the school is located in Morristown would not preclude the Morris Township and Morris Plains Police Departments from participating in a four way cooperative effort. The certification of all police officers is issued by the State of New Jersey, not the local jurisdiction. The basis for police communications, command and control, primary and secondary responses, etc. already exists in the form of the inter-agency support agreements.

## MAINTENANCE, CUSTODIAL AND REPAIR OPERATIONS

During the 1994-1995 year the maintenance and repair section consisted of eight general maintenance personnel and five groundskeepers. There were 33 full time and seven part-time custodial positions. These employees are directly supervised by 11 custodial foremen. Overall there were the equivalent of 47.5 full time custodial positions which was down from the prior year total of 56. In addition to these positions there is a supervisor and assistant supervisor, normally found in the central administration headquarters at the Normandy Park site. The cost of salaries, wages and benefits generating a direct expense for the district for all of these positions was approximately \$2,557,304 for the 1994-1995 fiscal year.

**TABLE FOURTEEN  
A SUMMARY OF MAINTENANCE, CUSTODIAL  
AND REPAIR LABOR COSTS  
1994-1995**

<u>TITLE</u>	<u>SALARY/ WAGES</u>	<u>MEDICAL/ DENTAL</u>	<u>PENSION</u>	<u>EMPLOY. TAXES</u>	<u>TOTAL</u>
Supervisor/Asst.	\$138,334	\$12,802	\$1,300	\$10,512	\$162,948
Maintenance (8)	\$342,966	\$40,503	\$3,244	\$25,903	\$412,616
Custodians	\$1,034,715	\$137,373	\$11,331	\$73,431	\$1,256,850
Foremen(11)	<u>\$456,821</u>	<u>\$40,602</u>	<u>\$4,227</u>	<u>\$34,665</u>	<u>\$536,315</u>
SUBTOTAL	\$1,972,836	\$231,280	\$20,102	\$144,511	\$2,368,729
Groundskeepers(5)	<u>\$161,520</u>	<u>\$28,997</u>	<u>\$1,541</u>	<u>\$16,517</u>	<u>\$208,575</u>
<b>TOTAL</b>	<b>\$2,134,356</b>	<b>\$260,277</b>	<b>\$21,643</b>	<b>\$161,028</b>	<b>\$2,577,304</b>

Eleven sites totaling approximately 925,361 square feet are maintained by the staff. This total does not include the grounds maintained by the five groundskeepers. If the cost of the groundskeepers is excluded, the combined cost for maintenance, repair and custodial work is approximately \$2.60 to \$2.56 per square foot.

The New Jersey Department of Education Comparative Spending Guide lists the Morris School District as 80th out of 81 K-12 districts in the custodial cost per pupil. The only district that was found to be more expensive was the Camden School District. The guide listed the Morris School District cost at \$1,362 per pupil.

**TABLE FIFTEEN**  
**BUILDING SITES REQUIRING MAINTENANCE**

Site	Square Feet	Constructed	Additions
Morristown H.S.	280,832	1918	1929,1960,1962
Frelinghuysen M.S.	251,946	1964	1995
Hamilton	55,787	1935	1955,1967
Vail	48,769	1929	
Hillcrest	52,038	1957	1971
Lafayette	42,900	1930	1955
Sussex	52,516	1954	
Jefferson	46,612	1954	1960
Woodland	45,628	1966	
Normandy Park	<u>39,433</u>	1963	
SUBTOTAL	916,461		
Liberty Street	<u>8,900</u>	(Maintenance Shop)	
TOTAL	925,361		

During scheduled and random visits the review team found all of the school sites to be clean and well maintained. The only criticism or complaint regarding custodial services was the occasional condition of classes used during the night school. The primary custodial work occurred in these rooms after the regular school day and prior to the evening classes. If necessary, **it is recommended (# 26) that the schedule of one or more of the custodial staff be adjusted in the morning to provide time to re-clean night school classrooms as needed. It is also recommended (# 27) that the salary and wage expense for this special effort be charged to the Community School Fund.**

In addition to ensuring that the custodial labor costs are properly charged to the appropriate fund, the district has an obligation to the taxpayers to restrict the number of custodial positions to the optimum number. Two methods are often used to determine the custodial needs of a school district. The American School and University Regional Standards (ASURS) suggest one custodial staff person per 18,000 square feet of space with one night cleaning staff person for every 30,000 square feet of space cleaned. The second method compares the cost per square foot for custodial work with market rates.

The total labor cost for custodial services during 1994-1995 was approximately \$1,874,639. This is the sum of the wages and direct benefits for the custodians, custodial foremen and 50 percent of the labor cost of the assistant supervisor and supervisor. The average cost per square foot to clean the 916,361 square feet is approximately \$2.04.

Contracts currently in place in other school districts in New Jersey for custodial and maintenance work range from \$1.80 to \$1.95 per square foot. The economy of scale and

the addition of special project work to be done during vacation periods can be factors that affect the average cost per square foot.

If the district were to establish a target cost of \$1.85 per square foot it would have to reduce its total labor cost by at least \$137,469. It is important to note that usually custodial contracts stipulate that the vendor will provide all cleaning supplies and materials as part of the agreed upon cost per square foot. These costs are not included in the computation of the cost per square foot for the Morris School District. This would suggest that a reduction of \$137,469 should be considered as the minimum that is acceptable.

The second assessment tool is the application of the ASURS model to determine the optimal number of custodians. Outlined below is a synopsis of the application of the model using the 1995-1996 staffing load.

Number of full-time teachers divided by 8:	42.25
Gross building area/15,000:	61.10
Average building capacity/25	<u>22.04</u>
SUM OF FACTORS	125.39
Sum of Factors/3	41.80

Notwithstanding the reductions that were made prior to the beginning of the 1995-1996 year, an argument can be made that an additional 5.5 positions can be eliminated. The annual savings would be approximately \$184,250.

Based upon these two common assessment tools, **it is recommended (#28) that the district reduce its maintenance and custodial costs by a minimum of \$185,000** so as to ensure the taxpayers are paying market rates for these services.

In the "General Issues and Concerns" portion of this report, we suggest that the district refocus the control and supervision of maintenance and custodial work on each site administrator. Given this, the need to retain a supervisor and an assistant supervisor in the central administration office must be questioned. **It is recommended (# 29) that as the two supervisory positions are vacated they be eliminated.** It may be necessary to establish a new field-oriented position of senior maintenance and repair foreman, however the annual labor cost for this position can be much lower. The estimated annual savings should be at least \$110,000 per year even if the senior foremen position was created and filled to coincide with the second retirement.

## **Grounds Maintenance**

The identified labor cost for maintenance of the school grounds and outdoor athletic facilities was approximately \$208,575. This total does not include the position assigned to the Normandy Park site as that employee also doubles as a courier for the district. **It is recommended (# 30) that the district pursue one or more of the following options to reduce the cost of ground maintenance:**

A. Pursue a cooperative agreement with the Morris Township Public Works Department for the maintenance of all outdoor grounds and facilities. A primary concern would have to be proper coordination and scheduling of the maintenance and preparation of athletic events for high school and middle school games.

B. Assign the general mowing and landscape work to a private vendor through the competitive bid process. A separate bid may have to be processed for snow removal work if it cannot be adequately accomplished by the custodial staff. If, as we anticipate, the total bid was no higher than \$80,000, the district could eliminate three of the six positions and still save at least \$40,000 per year.

### **Energy Cost Containment**

As a result of the implementation of an energy monitoring and control contract the district reported it had saved over \$165,000 in utility costs. The drive to enhance energy efficiency appears to have been successful on a general scale. During site visits review team members noticed what appeared to be an irregular pattern of open windows at several school sites. On subsequent visits the team members saw essentially the same pattern of open windows. The team found that thermostats are not readily adjustable in many classrooms.

Generally, the windows were open in the rooms where the teachers did not have access to thermostatic controls. Both the expedience and the prompt relief achieved by opening a window was preferable to the apparent inconvenience of contacting the school office or the building staff. There is no doubt that the comfort of the students and faculty is an essential component to successful learning. It is estimated that if a small number of windows are open for about one-fourth of the school day for 45 days at least 3.5 percent of the fuel oil is consumed to produce heat that is lost. If fuel efficiency was improved by just two percent based on the 1994-1995 fuel costs the savings to the district would be approximately \$16,500 per year. **It is recommended (# 31) the district continue its energy reduction plan by installing individual thermostats in each classroom.** Based on the limited scope of modifications that would have to be made in most of the classrooms, it is projected that the total capital cost would be recovered very quickly, possibly within one year.

## **STUDENT TRANSPORTATION**

During the field work for this review the board of education and the executive staff were involved in an effort to respond to citizen concerns resulting from the change in bussing schedules that was implemented at the beginning of the 1995-1996 school year. The new system generated a significant cost reduction, but it was also the cause of several service or scheduling complaints. The primary objection appeared to be the starting time for many of the schools.

### **Balancing Transportation Requirements and Costs**

It is to the credit of the staff and elected officials that those who objected to the financially efficient plan had an opportunity to express their views. However, based on comments heard during the interview process, the review team was not convinced that the citizens who were voicing complaints were truly representative of the views of most of the district clientele. What was apparently viewed by some as an absolutely necessary change to the starting time of the school day was seen by many others as nothing more than an effort to impose their personal preference. Several single parents and working couples noted that not only would the district's cost of transportation go up if the "new" schedule was dropped, their personal costs would increase as a result of the need to expand the hours for paid baby-sitting or (re)enroll their children in the sunrise and/or sunset programs offered through the district. As noted earlier, the sunrise and sunset program fees are one of the primary sources of income for the Community School Fund.

A report prepared during the 1994-1995 school year by North Andover PC Associates contained at least 11 cases studies that merged various aspects of the desire for financial efficiency with the need for an effective and responsive schedule. The plan that was implemented for the 1995-1996 school year was significantly different from the plan recommended by the consultant. If the district records and the minutes of the public meetings are an accurate indicator, the recommendations made by the paid consultant were not carefully considered.

The scenario recommended for the 1996-1997 school year, i.e. to replace the "new" schedule, called for the utilization of approximately 51 busses in the morning and 71 busses in the afternoon. All of the service criteria such as the length of the walk to the bus stop and the opening time for all the school were met, however the plan was expected to raise the transportation costs to the highest level ever for the district.

If it had been possible to add ten minutes to the window of acceptable school opening times, the district's cost could have been reduced from the 1995-1996 level while still meeting or exceeding all other service criteria. Amending the consultant's fourth case study from four tiers using 29 busses to three tiers using 39 busses will accomplish this.

The district appears to be missing a major opportunity to reduce its costs even more while still being responsive to at least a portion of their clientele.

Given the fact that transportation expenses continue to be a major component of the burden borne by the taxpayers **it is recommended (# 32) that the district re-open its discussion on transportation options** with the express purpose of optimizing both service and financial considerations.

### **Local Transportation Policy**

Correspondence dated January 30, 1996 from the transportation coordinator stated that a total of 3,968 students were being transported. 2,321 of these were labeled as “less than remote.” To be sure the construction of a major highway through the district has changed the character and the need for pupil transportation. However, the team found the ratio of remote and non-remote students to be quite unusual.

At the March 11, 1996 regular board meeting motion #12 was adopted to read as follows:

that the Board of Education declares that all courtesy bussing as defined by NJSA 18A:39-1, Transportation of Pupils Remote from Schools, is provided to protect the safety of its children and extends the definition of hazardous routing to include all courtesy bussing for the 1996-1997 school year.

The recommended statement of transportation goals and objectives for the 1996-1997 year called for the bus schedule to “provide transportation to every student who is currently served.” In response to specific questions, the leadership of the Morris Township and Morristown Police Departments stated they had never been asked about or consulted on the identification of routes or areas that were hazardous to pedestrians. Nevertheless, the issue of courtesy bussing was eliminated through the adoption of a local resolution.

**It is recommended (# 33) that the district conduct a detailed review of its transportation policies as part of the previously recommended discussion on transportation options. It is further recommended (# 34) that:**

A. The district use the expertise of local police officers specifically trained in the matter of traffic safety;

B. Consideration be given to joint school-municipal funding for the construction of sidewalks, particularly in areas close to the elementary schools. The Morris Township Master Plan requires the construction of sidewalks in all new subdivisions. The focus of this effort would presumably be on the existing neighborhoods in Morris Township and Morristown. For every morning and afternoon bus route that can be eliminated through



consolidation and/or reduction in ridership, it is estimated the district could eliminate approximately \$20,200 in operating costs each year. Based upon an installed price of \$13.00 per linear foot, approximately one quarter mile of sidewalk could be constructed. The former is a recurring operating cost while the latter is a one-time capital cost.

C. Consideration be given to adopting a resolution containing criteria similar to that which is used in other Morris County school districts. Specifically streets having a 25 MPH speed limit do not require a sidewalk in order to be acceptable for walking to school; streets having a speed limit greater than 25 MPH but 35 MPH or less must have a sidewalk on one side of the street; and, streets with a speed limit greater than 35 MPH must have a sidewalk on both sides and crossing guards must be assigned.

The right and obligation of locally elected leaders to set policy that is in the best interest of the public, particularly when personal safety is concerned, should rarely, if ever, be questioned. At the same time, the policies and decisions regarding how the implementation of local policy is to be funded is of equal importance.

### **The Funding of Student Transportation**

Were it not for the existence of state transportation aid, the definition of hazardous routes and the acceptable distance parameters for walking to school would almost certainly be the exclusive domain of a locally elected board. Unfortunately, this is not the case. In addition, a major component of the transportation cost is the transportation of special education students.

During the 1995-1996 school year approximately \$585,500 was spent on the transportation of 111 special education students. The 1995-1996 CAFR listed the average daily student enrollment to be 4,123. This total includes those student enrolled out of district for which the district pays tuition. The in-district enrollment was estimated to be approximately 4,035. Based upon the number of students transported within the district, as reported in the January 30, 1996 memo, over 96 percent of the student population is bussed to school. This is an exceptionally high, not to mention questionable ratio.

Approximately 60 percent of the students that are transported were defined by the district as “non-remote” students. After the \$149,425 expense for “aid in lieu of transportation” to non-public students and the out of district special education transportation expense is subtracted, the adjusted total for in district public school transportation costs is approximately \$2,194,414. When the average daily enrollment is adjusted for the out-of-district placements, the average cost per public student transported in the district becomes approximately \$545.00. The estimated cost to transport the 2,321 non-remote students is approximately \$1,264,949.

Barring the actual delineation of hazardous routes using one or more of the methods identified above, the argument can be made that the transportation of non-remote students is an optional service. Given this, complete reliance on state and local tax revenues to fund it may not be totally appropriate. **It is recommended (# 35) that the district consider establishing a user fee for the families that elect to use the transportation services when neither the distance or safety criteria are met.** A fee of \$250 per semester it would cover approximately 90 percent of the estimated cost. The projected decline in the tax support for the system would be at least \$580,000 which is roughly equivalent to 1.5 cents on the school tax rate. This decline would occur as a result of the off setting revenue from user fees, a reduction in the demand for bus services, or both.

## **Transportation Operations**

In addition to reviewing local transportation policy and funding, the review team analyzed the nature of the transportation operations. The district maintains a combination of contracted bus routes and routes operated in-house by the district. It was not possible to discern how or why the decision was made to retain certain routes in-house and to contract other routes. The total in-house transportation labor cost for the 1994-1995 fiscal year was approximately \$602,015 as displayed in Table Fifteen. Approximately 43 routes were operated in house while 48 were contracted. Excluding special education, extracurricular and athletic transportation the contract cost was approximately \$5.49 per mile. The cost per mile for routes operated by the district was approximately \$5.63. This estimate does not include the indirect costs of operating the transportation office.

The competition, or lack thereof, for transportation bids in Morris County has been the subject of discussion and investigation by other agencies. These issues are, for the most part, beyond the control of any local school district. Nevertheless, based upon a review of the district's bid documents and transportation contracts it is feasible to suggest that some changes can be made that should enhance competition and reduce the contract costs. Specifically, **it is recommended (# 36) that the following changes be made to the transportation bid package and contracts:**

A. Eliminate the requirement that the successful bidder have a depot within 10 miles of the district. This provision significantly limits the potential pool of bidders. Over the last three years, the need to replace equipment due to a breakdown has occurred less than 10 times per year.

B. Replace the practice of providing the vendor's telephone number to parents who have a complaint with a dispute resolution procedure conducted by the district. The vendor's contract is with the district and the vendor is accountable to the district, not to each individual parent. In addition, it is incumbent for the district to know about and follow up on the resolution of all valid complaints. Vendors who have not bid on the Morris School District routes suggested this factor, as well as the addition of

“individualized” stops added during the year, discouraged them from bidding on the contract.

**TABLE SIXTEEN**  
**A SUMMARY OF TRANSPORTATION LABOR COSTS**  
**1994-1995**

TITLE	SALARY/ WAGES	MEDICAL/ DENTAL	PENSION	EMPLOY. TAXES	TOTAL
Supervisor/Asst.	\$72,153	\$10,326	\$ 651	\$5,520	\$88,650
Van Drivers	\$67,588	\$20,366	\$ 741	\$5,170	\$93,865
Bus Drivers	\$243,766	\$58,597	\$2,041	\$18,649	\$323,053
Bus Aide	\$20,867	\$11,807	\$ 209	\$1,597	\$34,480
Mechanic	<u>\$51,957</u>	<u>\$ 5,545</u>	<u>\$ 491</u>	<u>\$3,974</u>	<u>\$61,967</u>
<b>TOTAL</b>	<b>\$456,331</b>	<b>\$106,641</b>	<b>\$4,133</b>	<b>\$34,910</b>	<b>\$602,015</b>

C. Bid or contract for all extra-curricular and athletic transportation requirements separately from the basic student transportation requirements. Even if the unit cost for these trips turns out to be somewhat higher, the fact that the base bidder does not have to allocate assets to these runs should lower the unit cost for regular transportation routes. The number of miles driven or trips taken for field trips, extra-curricular activities and athletics is small when compared to the total mileage drive on regular routes over the course of a school year.

D. Include a unit price “add alternate” and “delete alternate” in the bid proposal for the purpose of establishing the criteria for legitimate contract amendments that become necessary during the course of the school year.

E. Clearly specify that the district shall not pay for service days not used due to weather, etc. The unit price for days canceled as well as the timetable for notification of the bus company should be determined prior to the start of the contract.

F. Explore the feasibility and legality of a permitting a graduated performance bond. The current regulations stipulate that a bond covering 100 percent of the contract cost must be provided. It may be more cost effective, particularly for the smaller corporations, to provide a series of overlapping or “stair-step” bonds in which the length of the bond is shorter yet 100 percent of the remaining contract cost is secured.

## SPECIAL EDUCATION OPPORTUNITIES

During the 1995-1996 school year the district had approximately 641 classified students in its special education programs. Approximately 86 of these students were classified for speech only. Of the remaining 555 students approximately 460, or 83 percent, were educated within the district. This ratio of in district to out of district placements is higher than in other school districts that have participated in the local government budget review process. 65 of the 95 students transported to out of district sites attended private day schools; 18 attended local public schools and 12 attended regional day or state facilities. The ratio of private to public placements was much higher than that found in other districts.

Table Sixteen summarizes the average transportation and tuition expense for the students transported out of the district or to the Lafayette Learning Center. Overall, the per pupil tuition expense and the per pupil transportation expense for the out of district public school placements was higher than the private school placements. This is unusual. The combined difference was approximately \$2,165 per student.

Further analysis revealed that the high cost of public placements outside the home district was affected by the tuition for three of the 18 students. Had these students, who all were similarly classified, been educated within the district the average tuition cost would have been reduced to approximately \$20,015. Students are often sent to an out of district educational facility due to the extent or nature of their disability. Accordingly, **it is recommended (# 37) that specific consideration be given to developing in-district programs for these three students that are appropriate to meet their individual needs.**

Based on the \$122,220 tuition expense for these three students, it can be argued that the district could retain a teacher and an aide, purchase the requisite learning materials and still save at least \$22,000 per year. Notwithstanding the challenges associated with redistricting the student population and meeting the requirements for special education classrooms, it is plausible to suggest that at least one classroom can be made available at the Normandy Park site.

### Expanded Special Education Capacity

The opportunity to reduce special education costs by returning more students to the district is not limited to the scenario outlined above. **It is recommended (# 38) that the district maximize its in-district special education opportunities,** even if it means incurring some short term capital costs. If the district were to lease or purchase modular

**TABLE SEVENTEEN**  
**A SUMMARY OF SPECIAL EDUCATION TRANSPORTATION**  
**AND TUITION EXPENDITURES**  
**1995-1996**

<u>PLACEMENT</u>	<u>NUMBER OF PUPILS</u>	<u>TUITION PER PUPIL</u>	<u>TRANSPOR- TATION PER PUPIL</u>	<u>TOTAL PER PUPIL</u>	<u><b>TOTAL</b></u>
Private	65	\$23,243	\$5,576	\$28,819	<b>\$1,873,235</b>
Public	18	\$23,470 *	\$7,514	\$30,984	<b>\$ 557,712</b>
State	7				<b>\$ 68,348</b>
Regional Day	5	\$30,400	\$14,687	\$45,087	<b>\$ 225,435</b>
Lafayette	<u>23</u>	\$22,230	\$ 625	\$22,855	<b>\$ 525,665</b>
<b>TOTAL</b>	<b>118</b>				<b>\$3,250,395</b>

\* Adjusted tuition rate for public out-of-district placements: \$20,015

Revised Total Per Pupil: \$27,529

Revised Line Total: (Per Pupil)(15) = \$412,935

Revised Total: \$3,105,618

classrooms, in order to increase the total classroom capacity, the district would have the opportunity to reduce its tuition expenses.

Based upon a five year plan, the sum of the annual capital, salary, wage and benefit costs for a 1,400 square foot modular unit that is staffed with a teacher and an aide is projected to be approximately \$215,000. If eight students were returned to the district the immediate savings would be approximately \$31,000 per year. After the capital expense is eliminated the annual savings would be approximately \$156,000 per year.

### **The Utilization of Existing Capacity**

There were ten self-contained special education classrooms in which there were a total of 23 spaces available. Differences in age grouping, individual education plans, parental concerns or other legitimate circumstances may preclude the district from filling every slot. The review team also recognizes that the "allowable" capacity is analogous to the "maximum" capacity which may not always provide the best opportunity to teach or to learn.

Nevertheless if less than one-quarter of these spaces could be filled, the district could save approximately \$95,340 per year without creating an undue burden on any particular class or unwisely consuming capacity that may be needed for unanticipated transfers during the course of the year. Accordingly, **it is recommended (# 39) that the district maximize the utilization of its existing capacity.**

## **THE ORGANIZATION AND STAFFING OF THE BUSINESS FUNCTIONS**

A number of recommendations have already been made that will have a direct impact on the business staff. These include the recommendation to move the scheduling of non academic facility use to the Community School Fund, develop a effective computer training program for the staff, integrate the existing hardware systems and data bases, and revise some of the allocations for sick leave and vacation. The report also contains several references to the fact that the total size of the staff is quite large.

### **The Payroll and Personnel Functions**

**It is recommended (# 40) that the separation of the personnel and payroll functions be reviewed.** Not only will this eliminate the need for redundant data bases, it should also generate a more responsive organization for the executive staff as well as the customer, i.e. the employees of the district. Under the present organizational structure matters pertaining to employee benefits are not handled by the personnel office.

Adequate, if not superior financial checks and balances would be an additional by-product. Presumably the personnel staff would have to encumber all payroll and benefit expenses which are then charged against the appropriate budget lines by the purchasing and accounting staff. Involving the personnel staff in the payroll and benefit payment process also tends to provide more immediate and sensitive review of these costs.

Overall, there is the equivalent of 6.5 full time support positions in the payroll and personnel office. This total does not include the Director of Personnel, the Assistant Business Administrator or the Business Administrator. The Director of Personnel is supervised by the superintendent while they payroll staff reports to the business administrator.

Upon consolidating these functions **it is further recommended (#41) that the equivalent of two full time positions be eliminated.** The reduction in salary and benefit costs would be approximately \$112,500 per year.

### **The Purchasing and Vendor Payment Functions**

Four full time positions exist in the purchasing office while the vendor payment or accounting office has three full time positions. One half of the work time for one position in the accounting office is dedicated to the recording keeping for the food service enterprise fund. Ancillary duties in the purchasing office include management of the telephone system, the annual review of insurance coverage and the scheduling of facilities.

In an environment where automation has become commonplace, these offices are woefully lacking. The existing hardware and software is not utilized to its fullest extent, nor is

there any true reliance on electronic files for historical records and other useful information. **It is recommended (# 42) that a top priority of the proposed MIS system be the implementation of an automated purchasing request and encumbrance system.**

Installation of an automated system should reduce the number of repetitive purchases that are made because historical consumption data will be readily available. It would also permit the elimination of duplication of tasks between the purchasing and accounting sections without eliminating any internal controls such as a complete transaction record or “paper trail.” In short, the use of electronically batched procedures will eliminate a very large amount of manual, clerical work.

Once the tasks and work methods are updated **it is recommended (# 43) that two full time positions be eliminated.** It is important to note that one of these two positions is currently used to process non-academic applications for facility use. The projected reduction in salary and benefit expenses will be approximately \$97,320 per year.

The net reduction of four full time positions will reduce the district’s non-educational expense significantly, enhance the simplification of procedures that are redundant, if not totally bureaucratic, and provide a support staff that will be more responsive to the needs of the board, the executive staff and the various customers of the business functions such as the vendors, the faculty and the staff.



## **SECTION THREE REGULATORY AND STATUTORY REFORMS**

### **Maximum Meal Charges**

Many of the state procedures and regulations for food service programs are a direct outgrowth of federal rules and regulations. As such, the ability of the Department of Education to make changes that are responsive to the needs of the local school district may somewhat limited.

In the case of the maximum meal charges, the underlying tenet presumably is that the cost of the meal should not deny a child access to the nourishment. The fact that a waiver provision does exist acknowledges that the fact that blanket application of a maximum meal charge may not always be appropriate.

As part of the transfer of the program responsibility from the Department of Education to the Department of Agriculture, **it is recommended (# 44) that consideration be given to enhancing the provisions for waivers on the ceiling on student meal prices,** particularly when it can be shown that the waiver will not adversely affect the ability of any child to purchase a meal.

Individuals who suggested this were quick to point out that any proposed change should not create an additional burden on those who already qualify for free or reduced meals. To the contrary, the intent of the recommendation is to insure that the taxpayer is not unduly subsidizing the student meals for the families with an established ability to pay.

### **The Calculation of School Tax Rates**

Every year when the district budget is proposed and the tax ramifications are announced there is a readily apparent tension that develops as a result of the different impact on the Morris Township and Morristown tax rates. There is also a perennial discussion over the percentage of the total tax load borne by each community.

The opportunity for growth in the Morristown tax base is extremely limited, if not totally gone. The challenge facing Morristown is the retention of values as properties change hands and as older homes are renovated. In addition, as the county seat Morristown has a much higher amount of tax exempt land than their neighbor.

On the other hand, the opportunity for the growth of the tax base in Morris Township is quite large. In addition, the opportunity to add to the school population is equally significant. As such, the increase in the percentage of cost borne by the Morris Township taxpayer may not necessarily translate into an increase in the cost per household or per person. The ratio of aggregate assessed valuations has simply shifted.

Every county in New Jersey establishes an equalized valuation for all properties for the purpose of assigning a fair portion of the county tax burden to each municipality. As such the county tax rate is the same throughout the county even though the amount of tax revenue derived from each town is different. Occasionally there are debates over these equalized values, although the number of valid complaints as indicated by the number of court ordered adjustments are minimal. **It is recommended (# 45) that consideration be given to enhancing the ability to use the consolidated assessed value for the purpose of determining the school tax rate**, particularly in districts where all municipalities contribute to the student load yet there is a disparity in their respective ability to increase the size of their tax base.

In the case of Morristown and Morris Township there is little doubt that the two communities are intertwined socially, economically and financially. Everyone benefits from the quality of the public education being provided, be it directly through the education of their child or indirectly through the retention of their property value. No one benefits from the jealousies and tensions that arise every year over the current system which produces differences in the impact of the school budget on the tax rates of the two municipalities.

## SECTION FOUR

### ENHANCED SCHOOL AND MUNICIPAL COOPERATION

#### COOPERATION BETWEEN SCHOOL DISTRICTS

##### Special Education

The quality of the special education services provided by the Morris School District and the Morris Plains School District are well known in the area. They have become a drawing card. Families will move into Morristown, Morris Plains or Morris Township to provide their children the level and type of special education being provided. Because of the financial burden associated with special education, the Morris School District is reluctant to provide a tour of its special education classrooms or discuss the implementation of an individual education plan until a family has purchased a home in the district.

The challenge in every school district is to make optimal use of the special education opportunities and to control the additional costs associated with special education. The unexpected enrollment of just one or two students with special needs can have a radical impact on the cost of special education, particularly in a small district. The impact can be profound if the students enroll in the district after October 15th, the date used to allocate per capita special education aid.

Potentially the best way to optimize the use of special education classrooms and provide the greatest variety of special education opportunities locally is through cooperative and/or consolidated programs. During the course of the review neither district had an excessive number of vacancies in their special education classrooms. However, if the programs had been consolidated it may have been possible to eliminate one teaching position and still retain the flexibility needed to address the unexpected enrollment of special education students during the year.

The relative balance that exists today in each district can be eliminated by an enrollment shift as small as ten percent. While crisis often provides the greatest incentive to change, it does not provide the best environment. Since it would be in the best interest of the current and future special education students as well as the taxpayers of all three communities, **it is recommended (# 46) that the two districts actively pursue consolidation of all special education functions.**

In addition to some possible cost savings and protection against unanticipated fluctuations in enrollment, a consolidated process should yield greater consistency in the child assessment process, the contents of the individual education plans and the curriculum goals in the various special education classrooms. The importance of this becomes paramount as all of the children attending public schools in both districts attend the same high school.

## **Curriculum Development and Implementation**

A concerted effort is being made to eliminate both real and perceived differences in curriculum between elementary schools within the Morris School District. **It is recommended (# 47) the effort to eliminate differences in curriculum be extended to include the Morris Plains School District,** particularly since all their students will attend the same high school. The extent to which this relationship moves beyond occasional, informal articulation meetings involving representatives of both districts to a more formal process, possibly involving specific written agreements, will probably be determined by how the juxtaposition of autonomy and education achievement is resolved by both boards of education.

As statewide efforts to implement the standards of a thorough and efficient education begin to accelerate, local curriculum review and development work is sure to expand at least temporarily. It would be in the best interest of the taxpayers and the affected staff to minimize this impact by proportionally sharing it between the two districts.

## **Specialized Instruction**

During the course of the field work and interviews in both districts, members of the review team listened to comments indicating an existing need and an anticipated demand to expand specialized instruction. The type of instruction mentioned ranged from basic skills work and additional foreign language study to additional elective instruction in the fine arts and advanced technologies. The desire to provide these educational services appears to contradict the equally strong desire to lower the average cost per student and the local school tax levies.

A cooperative venture to provide additional specialized education should be cost effective for both districts if the salaries, wages and benefits of the additional teachers are shared. This would be particularly true in situations where the contact time between students and teachers was less than three classes per week.

The range of possibilities for cooperative staffing includes, but is not limited to basic skills instruction, English as a second language, fine arts electives, foreign language study, and special classes for talented and gifted students, particularly in the seventh and eighth grades. The ease with which a cooperative venture could be started and the ease with which the most appropriate teachers can be recruited, interviewed and hired would be affected by the degree to which the two districts cooperated on the development and implementation of a shared curriculum.

**It is recommended (#48) that the two superintendents meet to identify staffing needs that can be cooperatively filled as well as the procedures for implementing this objective.**

## COOPERATION BETWEEN MUNICIPALITIES AND SCHOOL DISTRICTS

### Public Transportation Services

The Colonial Coach bus service is operated by the Town of Morristown under a joint agreement with Morris Township. Recommendations have been offered in the Morristown report that are intended to re-align the level of service with the existing demand and help reduce the cost for each municipality. Additional savings could possibly be obtained if the Colonial Coach schedules and routes were part of a larger transportation services bid. The Morris School District and the Morris County Education Services Commission transportation bids yield rather large contracts.

**It is recommended (# 49) that the Colonial Coach services be bid as an “add alternate” in one of the major school transportation bids.** It is unlikely that the unit prices for student transportation would be adversely affected while at the same time the unit prices for the public transportation could be significantly improved. The municipality can pay for the service through an inter-local agreement or a subcontract.

### Consolidated Recreation and Leisure Programming

At least nine different types and levels of publicly funded recreation services are provided to the residents of Morris Plains, Morristown and Morris Township. These include the county library system; the joint Morristown-Morris Township library; three independent municipal services involving special events, scheduled classes or programs and swimming pool facilities; semi-independent groups partially funded by the local governments; the community education program of the Morris School District and the student activity and athletic programs in both school districts.

The greatest overlap in this array of opportunities occurs in the provision of special event trips partially supported by registration fees and “leisure education” opportunities ranging from programs for toddlers to evening classes in the community education program. The Morris School District maintains an independent enterprise fund for the purpose of receiving revenues and recording expenses associated with their community school.

**It is recommended (# 50) that Morristown, Morris Plains and Morris Township consider elimination of their independent recreation programming in favor of consolidated program operated under the umbrella of a “community education and recreation enterprise fund” housed within the Morris School District.** As was discussed in the Morristown and Morris Township reports, the existing disparities in registration policies and procedures are a source of conflict in the community, particularly since children from both communities often sit next to each other in the classroom.

The very nature of a successful enterprise fund is that all of its operating and overhead expenses are completely covered by its annual operating revenues. It should be analogous to an independent cost and profit center in a major corporation. The extent to which this

theory becomes reality is dependent upon the strength of the correlation between the services being provided and the market demand for those services, which in turn can be affected by the pricing of the goods and services.

Implementation of a “community education and recreation enterprise fund” would eliminate costly overlapping programs within the community, place an emphasis on user based fees thereby reducing the demand for tax support, and re-orient the entire service delivery system to one based on market demand.

### **Technology and Information Services**

The three municipalities and the two school districts are becoming increasingly reliant upon automated technologies to process administrative functions and store historical information. Morris Township and the Morris School District currently have full time personnel on staff dedicated to providing technical support. Morristown has indicated a desire to hire a finance officer who can also plan and implement a cost effective upgrade to its automated systems. The Borough and School District in Morris Plains are equally involved updating their automated procedures.

None of these agencies can justify or afford to underwrite a complete technology support group, yet every agency has the need for one. In this case it could be argued that the “sum of the whole is greater than the sum of the parts.” It is recommended that the five agencies form a specific partnership for the purpose of establishing a jointly funded technology support group.

In scenarios where this type of arrangement has been developed each agency pays a baseline cost based upon a mutually agreeable formula. Adjustments to this baseline cost are made semi-annually based upon the number of “billable” hours consumed. This mechanism provides the financial assurance that the group will continue to exist while at the same time permitting adjustments in the allocation of actual expenses based upon the amount the group is used by an agency.